



UPC HOLDING B.V.

**Condensed Consolidated Financial Statements
September 30, 2017**

**UPC Holding B.V.
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The Netherlands**

UPC HOLDING B.V.
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UPC HOLDING B.V.
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)

	September 30, 2017		December 31, 2016	
	in millions			
ASSETS				
Current assets:				
Cash and cash equivalents	€	17.1	€	26.8
Trade receivables, net		172.7		326.7
Related-party receivables (note 9)		117.4		114.3
Derivative instruments (note 4)		92.4		159.1
Prepaid expenses		31.1		21.6
Other current assets		43.3		36.8
Total current assets		474.0		685.3
Related-party receivables (note 9)		23.9		421.2
Property and equipment, net (note 6)		2,555.2		2,509.3
Goodwill (note 6)		4,204.8		4,349.8
Derivative instruments (note 4)		361.8		463.1
Intangible assets subject to amortization, net (note 6)		79.2		99.0
Other assets, net		79.1		82.7
Total assets	€	7,778.0	€	8,610.4

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

UPC HOLDING B.V.
CONDENSED CONSOLIDATED BALANCE SHEETS — (Continued)
(unaudited)

	September 30, 2017	December 31, 2016
	in millions	
LIABILITIES AND OWNERS' DEFICIT		
Current liabilities:		
Accounts payable (note 9).....	€ 344.9	€ 324.7
Deferred revenue and advance payments from subscribers and others.....	155.5	344.5
Derivative instruments (note 4).....	106.9	162.9
Current portion of debt and capital lease obligations (note 7)	791.4	740.8
Accrued interest.....	43.7	104.1
Other accrued and current liabilities (note 9).....	607.4	898.5
Total current liabilities.....	2,049.8	2,575.5
Long-term debt and capital lease obligations (note 7):		
Third-party	5,434.3	5,679.2
Related-party (note 9).....	6,232.5	6,161.4
Derivative instruments (note 4)	464.0	625.9
Other long-term liabilities (note 9)	628.2	196.0
Total liabilities	14,808.8	15,238.0
Commitments and contingencies (notes 3, 4, 7 and 10)		
Owners' deficit:		
Parent's deficit:		
Distributions and accumulated losses in excess of contributions.....	(7,771.9)	(7,472.6)
Accumulated other comprehensive earnings, net of taxes	722.0	763.5
Total parent's deficit.....	(7,049.9)	(6,709.1)
Noncontrolling interests	19.1	81.5
Total owners' deficit.....	(7,030.8)	(6,627.6)
Total liabilities and owners' deficit.....	€ 7,778.0	€ 8,610.4

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

UPC HOLDING B.V.
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
	in millions			
Revenue (notes 9 and 11).....	€ 649.0	€ 639.5	€ 1,959.1	€ 1,911.8
Operating costs and expenses (exclusive of depreciation and amortization, shown separately below):				
Programming and other direct costs of services (note 9)	126.1	113.2	366.5	335.9
Other operating (note 9)	90.0	92.2	282.8	289.9
Selling, general and administrative (SG&A) (note 9).....	85.4	85.2	270.4	275.6
Related-party fees and allocations, net (note 9)	90.6	93.6	286.8	238.8
Depreciation and amortization	141.9	137.3	428.3	408.5
Impairment, restructuring and other operating items, net	1.2	0.9	3.0	3.8
	535.2	522.4	1,637.8	1,552.5
Operating income.....	113.8	117.1	321.3	359.3
Non-operating income (expense):				
Interest expense:				
Third-party	(75.1)	(84.0)	(231.4)	(251.1)
Related-party (note 9).....	(159.2)	(140.9)	(471.9)	(424.1)
Realized and unrealized gains (losses) on derivative instruments, net (note 4).....	92.8	(101.6)	(98.3)	(224.0)
Foreign currency transaction gains (losses), net.....	(21.5)	65.7	248.4	124.9
Losses on debt modification and extinguishment, net (note 7)	(32.7)	(43.5)	(45.9)	(43.5)
Other income, net.....	1.9	6.5	3.0	9.4
	(193.8)	(297.8)	(596.1)	(808.4)
Loss before income taxes	(80.0)	(180.7)	(274.8)	(449.1)
Income tax expense (note 8)	(3.6)	(13.7)	(37.3)	(45.9)
Net loss	(83.6)	(194.4)	(312.1)	(495.0)
Net earnings attributable to noncontrolling interests	(2.7)	(3.0)	(8.2)	(10.0)
Net loss attributable to parent	€ (86.3)	€ (197.4)	€ (320.3)	€ (505.0)

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

UPC HOLDING B.V.
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE LOSS
(unaudited)

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2017	2016	2017	2016
	in millions			
Net loss.....	€ (83.6)	€ (194.4)	€ (312.1)	€ (495.0)
Other comprehensive loss, net of taxes:				
Foreign currency translation adjustments.....	(17.5)	(16.4)	(39.8)	(4.5)
Other	(0.6)	(0.2)	(1.7)	(0.9)
Other comprehensive loss.....	(18.1)	(16.6)	(41.5)	(5.4)
Comprehensive loss	(101.7)	(211.0)	(353.6)	(500.4)
Comprehensive earnings attributable to noncontrolling interests.....	(2.7)	(3.0)	(8.2)	(10.0)
Comprehensive loss attributable to parent	€ (104.4)	€ (214.0)	€ (361.8)	€ (510.4)

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UPC HOLDING B.V.
CONDENSED CONSOLIDATED STATEMENT OF OWNERS' DEFICIT
(unaudited)

	Parent's deficit				
	Distributions and accumulated losses in excess of contributions	Accumulated other comprehensive earnings, net of taxes	Total parent's deficit	Non- controlling interests	Total owners' deficit
	in millions				
Balance at January 1, 2017	€ (7,472.6)	€ 763.5	€ (6,709.1)	€ 81.5	€ (6,627.6)
Net loss	(320.3)	—	(320.3)	8.2	(312.1)
Other comprehensive loss, net of taxes	—	(41.5)	(41.5)	—	(41.5)
Impact of deconsolidation of UMI (note 9).....	—	—	—	(60.9)	(60.9)
Property and equipment contributed by parent company (notes 6 and 9).....	14.6	—	14.6	—	14.6
Capital charge in connection with the exercise or vesting of share-based incentive awards (note 9).....	(5.4)	—	(5.4)	—	(5.4)
Deemed contribution of technology-related services (note 9)	4.9	—	4.9	—	4.9
Share-based compensation (note 9).....	6.6	—	6.6	—	6.6
Distributions by subsidiaries to noncontrolling interest owners	—	—	—	(9.7)	(9.7)
Other, net	0.3	—	0.3	—	0.3
Balance at September 30, 2017.....	<u>€ (7,771.9)</u>	<u>€ 722.0</u>	<u>€ (7,049.9)</u>	<u>€ 19.1</u>	<u>€ (7,030.8)</u>

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

UPC HOLDING B.V.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Nine months ended September 30,	
	2017	2016
	in millions	
Cash flows from operating activities:		
Net loss	€ (312.1)	€ (495.0)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Share-based compensation expense	6.6	10.7
Related-party fees and allocations, net.....	286.8	238.8
Depreciation and amortization	428.3	408.5
Impairment, restructuring and other operating items, net	3.0	3.8
Non-cash interest on related-party loans	471.9	424.1
Amortization of deferred financing costs and non-cash interest.....	5.1	5.6
Realized and unrealized losses on derivative instruments, net.....	98.3	224.0
Foreign currency transaction gains, net	(248.4)	(124.9)
Losses on debt modification and extinguishment, net	45.9	43.5
Deferred income tax benefit.....	(9.7)	(5.4)
Changes in operating assets and liabilities, net of the effects of acquisitions	(357.7)	(266.8)
Net cash provided by operating activities	<u>418.0</u>	<u>466.9</u>
Cash flows from investing activities:		
Capital expenditures	(108.0)	(131.6)
Other investing activities, net	(3.6)	4.9
Net cash used by investing activities	<u>€ (111.6)</u>	<u>€ (126.7)</u>

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

UPC HOLDING B.V.
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS — (Continued)
(unaudited)

	Nine months ended September 30,	
	2017	2016
	in millions	
Cash flows from financing activities:		
Borrowings of third-party debt	€ 761.3	€ 230.4
Repayments and repurchases of third-party debt and capital lease obligations.....	(611.8)	(579.4)
Borrowings (repayments) of related-party debt, net	482.7	(28.5)
Change in cash collateral	(600.0)	—
Value-added taxes (VAT) paid on behalf of a related party	(152.0)	—
Net cash paid related to derivative instruments	(138.9)	(27.5)
Payment of financing costs and debt premiums.....	(45.3)	(39.1)
Other financing activities, net	(11.6)	(12.8)
Net cash used by financing activities	(315.6)	(456.9)
Effect of exchange rate changes on cash	(0.5)	1.3
Net decrease in cash and cash equivalents.....	(9.7)	(115.4)
Cash and cash equivalents:		
Beginning of period	26.8	139.0
End of period.....	€ 17.1	€ 23.6
Cash paid for interest – third-party	€ 283.5	€ 336.3
Cash paid for taxes	€ 100.3	€ 74.1

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

UPC HOLDING B.V.
Notes to Condensed Consolidated Financial Statements
September 30, 2017
(unaudited)

(1) Basis of Presentation

UPC Holding B.V. (**UPC Holding**) is a wholly-owned subsidiary of Liberty Global plc (**Liberty Global**). In these notes, the terms “we,” “our,” “our company” and “us” may refer, as the context requires, to UPC Holding or collectively to UPC Holding and its subsidiaries.

As of September 30, 2017, we provided (i) video, broadband internet and fixed-line telephony services in seven European countries and (ii) mobile services in four European countries. We also provide direct-to-home satellite (**DTH**) services to customers in the Czech Republic, Hungary, Romania and Slovakia through a Luxembourg-based organization that we refer to as “**UPC DTH**.” In addition, each of our reportable segments also provides business-to-business (**B2B**) services.

Our unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (**U.S. GAAP**). Accordingly, these financial statements do not include all of the information required by U.S. GAAP for complete financial statements. In the opinion of management, these financial statements reflect all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the results of operations for the interim periods presented. The results of operations for any interim period are not necessarily indicative of results for the full year. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our 2016 annual report.

The preparation of financial statements in conformity with U.S. GAAP 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, programming and copyright costs, 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, share-based compensation and actuarial liabilities associated with certain benefit plans. Actual results could differ from those estimates.

Unless otherwise indicated, ownership percentages and convenience translations into euros are calculated as of September 30, 2017.

Certain prior period amounts have been reclassified to conform to the current period presentation, including the reclassification of certain costs between programming and other direct costs of services, other operating and SG&A expenses.

These condensed consolidated financial statements reflect our consideration of the accounting and disclosure implications of subsequent events through November 17, 2017, the date of issuance.

UPC HOLDING B.V.
Notes to Condensed Consolidated Financial Statements — (Continued)
September 30, 2017
(unaudited)

(2) Accounting Changes and Recent Accounting Pronouncements

Accounting Changes

In January 2017, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2017-04, *Simplifying the Test for Goodwill Impairment* (ASU 2017-04), which eliminates the requirement to estimate the implied fair value of a reporting unit's goodwill as determined following the procedure that would be required in determining the fair value of assets acquired and liabilities assumed in a business combination. Instead, a company should recognize any goodwill impairment by comparing the fair value of a reporting unit to its carrying amount. We early-adopted ASU 2017-04 effective January 1, 2017. The adoption of ASU 2017-04 reduces the complexity surrounding the evaluation of our goodwill for impairment.

Recent Accounting Pronouncements

ASU 2014-09

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09, as amended by ASU No. 2015-14, will replace existing revenue recognition guidance when it becomes effective for annual periods beginning after December 15, 2018. This new standard permits the use of either the retrospective or cumulative effect transition method. We will adopt ASU 2014-09 effective January 1, 2018 using the cumulative effect transition method. While we are continuing to evaluate the effect that ASU 2014-09 will have on our consolidated financial statements, we have identified a number of our current revenue recognition policies that will be impacted by ASU 2014-09, including the accounting for (i) time-limited discounts and free service periods provided to our customers and (ii) certain upfront fees charged to our customers. Although we continue to evaluate the impacts of adopting ASU 2014-09, our current views are as follows:

- When we enter into contracts to provide services to our customers, we often provide time-limited discounts or free service periods. Under current accounting standards, we recognize revenue net of discounts during the promotional periods and do not recognize any revenue during free service periods. Under ASU 2014-09, revenue recognition for those contracts that contain substantive termination penalties will be accelerated, as the impact of the discounts or free service periods will be recognized uniformly over the contractual period. For contracts that do not have substantive termination penalties, we will continue to record the impacts of partial or full discounts during the applicable promotional periods.
- When we enter into contracts to provide services to our customers, we often charge installation or other upfront fees. Under current accounting standards, installation fees related to services provided over our cable networks are recognized as revenue during the period in which the installation occurs to the extent these fees are equal to or less than direct selling costs. Under ASU 2014-09, these fees will generally be deferred and recognized as revenue over the contractual period, or longer if the upfront fee results in a material renewal right.

As the above revenue recognition changes have offsetting impacts and both result in a relatively minor shift in the timing of revenue recognition, we currently do not expect ASU 2014-09 to have a material impact on our consolidated revenue.

ASU 2014-09 will also impact our accounting for certain upfront costs directly associated with obtaining and fulfilling customer contracts. Under our current policy, these costs are expensed as incurred unless the costs are in the scope of another accounting topic that allows for capitalization. Under ASU 2014-09, the upfront costs associated with contracts that have substantive termination penalties and a term of one year or more will be recognized as assets and amortized to other operating expenses over the applicable period benefited. Although the impact of the accounting change for the upfront costs will be dependent on numerous factors, including the number and terms of new subscriber contracts added during any given period, we do not expect the initial or ongoing impact of this accounting change to be material based on our assessments of the current practices and contracts in effect in our various markets.

Although the ultimate impact of adopting ASU 2014-09 for both revenue recognition and costs to obtain and fulfill contracts will depend on numerous factors, including the promotions and offers in place during the period leading up to and after the adoption of ASU 2014-09, we currently do not expect the adoption of ASU 2014-09 to have a material impact on our revenue, operating expenses or financial position. In addition, we do not expect to make material changes to our internal control environment as a result of the adoption of ASU 2014-09.

UPC HOLDING B.V.
Notes to Condensed Consolidated Financial Statements — (Continued)
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ASU 2016-02

In February 2016, the FASB issued ASU No. 2016-02, *Leases (ASU 2016-02)*, which, for most leases, will result in lessees recognizing lease assets and lease liabilities on the balance sheet with additional disclosures about leasing arrangements. ASU 2016-02 requires lessees and lessors to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The modified retrospective approach also includes a number of optional practical expedients an entity may elect to apply. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2019, with early adoption permitted. We will adopt ASU 2016-02 on January 1, 2019. Although we are currently evaluating the effect that ASU 2016-02 will have on our consolidated financial statements, the main impact of the adoption of this standard will be the recognition of lease assets and lease liabilities in our consolidated balance sheets for those leases classified as operating leases under previous U.S. GAAP. We currently do not expect ASU 2016-02 to have significant impacts on our consolidated statements of operations or cash flows.

(3) Acquisition

Pending Acquisition

On October 18, 2016, our subsidiary UPC Polska SP Z.o.o. entered into a definitive agreement to acquire the cable business of Multimedia Polska S.A. (**Multimedia**), the third-largest cable operator in Poland, for cash consideration of 3.0 billion Polish zlotys (€695.6 million), which is equal to the enterprise value assigned to Multimedia for purposes of this transaction. We intend to finance the acquisition of Multimedia with existing liquidity. The final purchase price is subject to potential downward adjustments for the operational and financial performance of Multimedia prior to closing. The transaction is subject to customary closing conditions, including regulatory approval. On October 18, 2017, the Polish regulator issued a statement of objection against the proposed transaction on the basis that such transaction could restrict competition in a number of cities across the country. We are in the process of responding to the Polish regulator's statement of objections and remain confident of clearance in due course. We do not expect the transaction to be completed in 2017.

(4) Derivative Instruments

In general, we seek to enter into derivative instruments to protect against (i) foreign currency movements, particularly with respect to borrowings that are denominated in a currency other than the functional currency of the borrowing entity, and (ii) increases in the interest rates on our variable-rate debt. In this regard, through our subsidiaries, we have entered into various derivative instruments to manage interest rate exposure and foreign currency exposure with respect to the euro (€), the United States (U.S.) dollar (\$), the Swiss franc (CHF), the Czech koruna (CZK), the Hungarian forint (HUF), the Polish zloty (PLN) and the Romanian lei (RON). We do not apply hedge accounting to our derivative instruments. Accordingly, changes in the fair values of most of our derivative instruments are recorded in realized and unrealized gains or losses on derivative instruments, net, in our condensed consolidated statements of operations.

UPC HOLDING B.V.
Notes to Condensed Consolidated Financial Statements — (Continued)
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(unaudited)

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

	September 30, 2017			December 31, 2016		
	Current	Long-term	Total	Current	Long-term	Total
	in millions					
Assets:						
Cross-currency and interest rate derivative contracts (a)	€ 87.6	€ 361.5	€ 449.1	€ 158.5	€ 462.9	€ 621.4
Foreign currency forward contracts	4.5	—	4.5	0.4	—	0.4
Other	0.3	0.3	0.6	0.2	0.2	0.4
Total	<u>€ 92.4</u>	<u>€ 361.8</u>	<u>€ 454.2</u>	<u>€ 159.1</u>	<u>€ 463.1</u>	<u>€ 622.2</u>
Liabilities:						
Cross-currency and interest rate derivative contracts (a)	€ 105.8	€ 464.0	€ 569.8	€ 158.6	€ 625.8	€ 784.4
Foreign currency forward contracts	1.1	—	1.1	4.3	—	4.3
Other	—	—	—	—	0.1	0.1
Total	<u>€ 106.9</u>	<u>€ 464.0</u>	<u>€ 570.9</u>	<u>€ 162.9</u>	<u>€ 625.9</u>	<u>€ 788.8</u>

- (a) We consider credit risk relating to our and our counterparties' nonperformance in the fair value assessment of our derivative instruments. In all cases, the adjustments take into account offsetting liability or asset positions. The changes in the credit risk valuation adjustments associated with our cross-currency and interest rate derivative contracts resulted in a net gain (loss) of (€4.5 million) and €0.3 million during the three months ended September 30, 2017 and 2016, respectively, and net gains of €6.2 million and €19.0 million during the nine months ended September 30, 2017 and 2016, respectively. These amounts are included in realized and unrealized gains (losses) on derivative instruments, net, in our condensed consolidated statements of operations. For further information regarding our fair value measurements, see note 5.

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

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
	in millions			
Cross-currency and interest rate derivative contracts	€ 87.8	€ (100.6)	€ (104.4)	€ (220.9)
Foreign currency forward contracts	5.1	(0.7)	5.8	(2.3)
Other	(0.1)	(0.3)	0.3	(0.8)
Total	<u>€ 92.8</u>	<u>€ (101.6)</u>	<u>€ (98.3)</u>	<u>€ (224.0)</u>

UPC HOLDING B.V.
Notes to Condensed Consolidated Financial Statements — (Continued)
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(unaudited)

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

		Nine months ended September 30,	
		2017	2016
		in millions	
Operating activities	€	(9.5)	€ 9.1
Financing activities		(138.9)	(27.5)
Total.....	€	(148.4)	€ (18.4)

Counterparty Credit Risk

We are exposed to the risk that the counterparties to our derivative instruments will default on their obligations to us. We manage these credit risks through the evaluation and monitoring of the creditworthiness of, and concentration of risk with, the respective counterparties. In this regard, credit risk associated with our derivative instruments is spread across a relatively broad counterparty base of banks and financial institutions. Collateral is generally not posted by either party under our derivative instruments. At September 30, 2017, our exposure to counterparty credit risk included derivative assets with an aggregate fair value of €87.0 million.

Details of our Derivative Instruments

In the following tables, we present the details of the various categories of our derivative instruments, all of which are held by our subsidiary, UPC Broadband Holding B.V. (**UPC Broadband Holding**).

Cross-currency Derivative Contracts

As noted above, we are exposed to foreign currency exchange rate risk in situations where our debt is denominated in a currency other than the functional currency of the operations whose cash flows support our ability to repay or refinance such debt. Although we generally seek to match the denomination of our and our subsidiaries' borrowings with the functional currency of the operations that are supporting the respective borrowings, market conditions or other factors may cause us to enter into borrowing arrangements that are not denominated in the functional currency of the underlying operations (unmatched debt). Our policy is generally to provide for an economic hedge against foreign currency exchange rate movements by using derivative instruments to synthetically convert unmatched debt into the applicable underlying currency. At September 30, 2017, substantially all of our debt was either directly or synthetically matched to the applicable functional currencies of the underlying operations. The following table sets forth the total notional amounts and the related weighted average remaining contractual lives of our cross-currency swap contracts at September 30, 2017 (in millions, except weighted average remaining life):

Notional amount due from counterparty		Notional amount due to counterparty		Weighted average remaining life in years
\$	2,390.0	€	1,973.7	6.1
\$	1,000.0	CHF	922.0 (a)	6.4
€	379.2	\$	425.0 (b)	6.9
€	2,415.2	CHF	2,781.0	5.4
€	418.5	CZK	11,521.8	2.8
€	488.0	HUF	138,437.5	4.3
€	851.6	PLN	3,604.5	4.0
€	225.9	RON	650.0	4.4

UPC HOLDING B.V.
Notes to Condensed Consolidated Financial Statements — (Continued)
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(unaudited)

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- (a) Includes certain derivative instruments that are “forward-starting,” such that the initial exchange occurs at a date subsequent to September 30, 2017. These instruments are typically entered into in order to extend existing hedges without the need to amend existing contracts.
 - (b) Represents derivative instruments that do not involve the exchange of notional amounts at the inception and maturity of the instruments. Accordingly, the only cash flows associated with these derivative instruments are coupon-related payments and receipts.

Interest Rate Derivative Contracts

As noted above, we enter into interest rate swaps to protect against increases in the interest rates on our variable-rate debt. Pursuant to these derivative instruments, we typically pay fixed interest rates and receive variable interest rates on specified notional amounts. At September 30, 2017, the total euro equivalent of the notional amounts due from the counterparty, including forward-starting derivative instruments, was €3,949.6 million and the related weighted average remaining contractual life of our interest rate swap contracts was 6.8 years.

Basis Swaps

Our basis swaps involve the exchange of attributes used to calculate our floating interest rates, including (i) the benchmark rate, (ii) the underlying currency and/or (iii) the borrowing period. We typically enter into these swaps to optimize our interest rate profile based on our current evaluations of yield curves, our risk management policies and other factors. At September 30, 2017, the total euro equivalent of the notional amounts due from the counterparty, including forward-starting derivative instruments, was €3,643.0 million and the related weighted average remaining contractual life of our interest basis contracts was 0.8 years.

Interest Rate Collar

We enter into interest rate collar agreements that lock in a maximum interest rate if variable rates rise, but also allow our company to benefit, to a limited extent, from declines in market rates. At September 30, 2017, the total notional amount of our interest rate collar was €567.5 million.

Impact of Derivative Instruments on Borrowing Costs

Excluding forward-starting instruments, the impact of the derivative instruments that mitigate our foreign currency and interest rate risk, as described above, was an increase of 69 basis points to our borrowing costs as of September 30, 2017.

Foreign Currency Forwards and Options

We enter into foreign currency forward and option contracts with respect to non-functional currency exposure. As of September 30, 2017, the total euro equivalent of the notional amount of foreign currency forward and option contracts was €496.3 million.

(5) Fair Value Measurements

We use the fair value method to account for our derivative instruments. The reported fair values of these instruments as of September 30, 2017 likely will not represent the value that will be paid or received upon the ultimate settlement or disposition of these assets and liabilities. We expect that the values realized generally will be based on market conditions at the time of settlement, which may occur at the maturity of the derivative instrument or at the time of the repayment or refinancing of the underlying debt instrument.

U.S. GAAP provides for 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

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Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

We 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. Effective January 1, 2017, we incorporated a Monte Carlo based approach into our calculation of the value assigned to the risk that we or our counterparties will default on our respective derivative obligations. Previously, we used a static calculation derived from our most current mark-to-market valuation to calculate the impact of counterparty credit risk. The adoption of a Monte Carlo based approach did not have a material impact on the overall fair value of our derivative instruments. Our credit risk valuation adjustments with respect to our cross-currency and interest rate swaps are quantified and further explained in note 4.

At September 30, 2017 and December 31, 2016, all of our derivative instruments fell under Level 2 of the fair value hierarchy.

For additional information concerning our fair value measurements, see note 6 to the consolidated financial statements included in our annual report.

(6) 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, 2017	December 31, 2016
	in millions	
Distribution systems	€ 3,942.8	€ 3,829.8
Customer premises equipment.....	1,225.3	1,176.3
Support equipment, buildings and land	471.3	447.9
Total property and equipment, gross	5,639.4	5,454.0
Accumulated depreciation	(3,084.2)	(2,944.7)
Total property and equipment, net.....	<u>€ 2,555.2</u>	<u>€ 2,509.3</u>

During the nine months ended September 30, 2017 and 2016, we recorded non-cash increases to our property and equipment related to (i) certain vendor financing arrangements of €533.5 million and €471.9 million, respectively, which exclude related VAT of €59.7 million and €49.8 million, respectively, that were also financed by our vendors under these arrangements and (ii) assets acquired under capital leases of €57.0 million and €4.8 million, respectively. Furthermore, during the nine months ended September 30, 2017 and 2016, we recorded non-cash increases to our property and equipment of €14.6 million and €12.6 million, respectively, related to assets acquired on our behalf pursuant to vendor financing and capital lease arrangements of Liberty Global B.V. (LG B.V.), a subsidiary of Liberty Global that is outside of UPC Holding. For additional information, see notes 7 and 9.

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Goodwill

Changes in the carrying amount of our goodwill during the nine months ended September 30, 2017 are set forth below:

	January 1, 2017	Acquisitions and related adjustments	Foreign currency translation adjustments	September 30, 2017
	in millions			
Switzerland/Austria.....	€ 3,264.7	€ —	€ (165.5)	€ 3,099.2
Central and Eastern Europe.....	1,085.1	0.8	19.7	1,105.6
Total.....	<u>€ 4,349.8</u>	<u>€ 0.8</u>	<u>€ (145.8)</u>	<u>€ 4,204.8</u>

Intangible Assets Subject to Amortization, Net

The details of our intangible assets subject to amortization are set forth below:

	September 30, 2017			December 31, 2016		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
	in millions					
Customer relationships.....	€ 253.1	€ (173.9)	€ 79.2	€ 256.8	€ (158.2)	€ 98.6
Other.....	3.4	(3.4)	—	3.3	(2.9)	0.4
Total.....	<u>€ 256.5</u>	<u>€ (177.3)</u>	<u>€ 79.2</u>	<u>€ 260.1</u>	<u>€ (161.1)</u>	<u>€ 99.0</u>

(7) Debt and Capital Lease Obligations

The euro equivalents of the components of our third-party debt are as follows:

	September 30, 2017					
	Weighted average interest rate (a)	Unused borrowing capacity (b)	Estimated fair value (c)		Principal amount	
			September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
	in millions					
Parent – UPC Holding Senior Notes.....	5.44 %	€ —	€ 1,409.3	€ 1,488.3	€ 1,390.9	€ 1,376.2
Subsidiaries:						
UPCB SPE Notes.....	4.51 %	—	2,234.9	1,691.2	2,166.0	1,680.9
UPC Holding Bank Facility.....	3.98 %	990.1	1,830.3	2,666.1	1,821.6	2,638.5
Vendor financing (d).....	3.32 %	—	802.5	736.7	802.5	736.7
Total third-party debt before discounts and deferred financing costs.....	<u>4.41 %</u>	<u>€ 990.1</u>	<u>€ 6,277.0</u>	<u>€ 6,582.3</u>	<u>€ 6,181.0</u>	<u>€ 6,432.3</u>

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The following table provides a reconciliation of total third-party debt before discounts and deferred financing costs to total debt and capital lease obligations:

	September 30, 2017	December 31, 2016
	in millions	
Total third-party debt before discounts and deferred financing costs.....	€ 6,181.0	€ 6,432.3
Discounts and deferred financing costs	(36.5)	(44.0)
Total carrying amount of third-party debt	6,144.5	6,388.3
Capital lease obligations	81.2	31.7
Total third-party debt and capital lease obligations	6,225.7	6,420.0
Related-party debt (note 9)	6,232.5	6,161.4
Total debt and capital lease obligations.....	12,458.2	12,581.4
Current maturities of debt and capital lease obligations.....	(791.4)	(740.8)
Long-term debt and capital lease obligations	€ 11,666.8	€ 11,840.6

- (a) Represents the weighted average interest rate in effect at September 30, 2017 for all borrowings outstanding pursuant to each debt instrument, including any applicable margin. The interest rates presented represent stated rates and do not include the impact of derivative instruments, deferred financing costs, original issue premiums or discounts and commitment fees, all of which affect our overall cost of borrowing. Including the effects of derivative instruments, original issue premiums or discounts and commitment fees, but excluding the impact of financing costs, the weighted average interest rate on our aggregate third-party variable- and fixed-rate indebtedness was 4.88% at September 30, 2017. For information regarding our derivative instruments, see note 4.
- (b) Unused borrowing capacity represents the maximum availability under the UPC Holding Bank Facility at September 30, 2017 without regard to covenant compliance calculations or other conditions precedent to borrowing. At September 30, 2017, based on the applicable leverage-based restricted payment tests and leverage covenants, €933.7 million of unused borrowing capacity under the UPC Holding Bank Facility was available to be borrowed. When the relevant September 30, 2017 compliance reporting requirements have been completed and assuming no changes from September 30, 2017 borrowing levels, we anticipate that the full €990.1 million of unused borrowing capacity under the UPC Holding Bank Facility will be available to be borrowed.
- (c) The estimated fair values of our debt instruments are determined using the average of applicable bid and ask prices (mostly Level 1 of the fair value hierarchy). For additional information regarding fair value hierarchies, see note 5.
- (d) Represents amounts owed pursuant to interest-bearing vendor financing arrangements that are used to finance certain of our property and equipment additions and, to a lesser extent, certain of our operating expenses. These obligations are generally due within one year and include VAT that was paid on our behalf by the vendor. At September 30, 2017 and December 31, 2016, the amounts owed pursuant to these arrangements include €8.0 million and €12.8 million, respectively, related to third-party capital-related vendor financing obligations for which we and LG B.V. are co-obligors. We expect to cash settle the co-obligor obligations with LG B.V. in advance of when we and LG B.V. are required to settle the obligations with the applicable third parties. Our cash payments to LG B.V. will be reflected as cash capital expenditures in our condensed consolidated statements of cash flows and any cash payments made prior to the settlement of the related co-obligor obligation will be reflected in our related-party accounts receivable from LG B.V. in our condensed consolidated balance sheets. Repayments of vendor financing obligations, other than the co-obligor obligations, are included in repayments and repurchases of third-party debt and capital lease obligations in our condensed consolidated statements of cash flows.

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Refinancing Transactions

We have completed various refinancing transactions during the first nine months of 2017. Unless otherwise noted, the terms and conditions of the notes and credit facilities entered into are largely consistent with those of our existing notes and credit facilities with regard to covenants, events of default and change of control provisions, among other items. For information regarding the general terms and conditions of our debt, see note 8 to the consolidated financial statements included in our 2016 annual report.

In February 2017, we entered into a new \$2,150.0 million (€1,821.5 million) term loan facility (**UPC Facility AP**). UPC Facility AP was issued at 99.75% of par, matures on April 15, 2025 and bears interest at a rate of LIBOR + 2.75%, subject to a LIBOR floor of 0.0%. The net proceeds from UPC Facility AP, together with existing cash, were used to prepay in full the \$2,150.0 million outstanding principal amount under UPC Facility AN. In connection with these transactions, we recognized a loss on debt modification and extinguishment, net, of €8.4 million related to unamortized discounts and deferred financing costs.

In June 2017, UPCB Finance VII Limited (**UPCB Finance VII**) issued €600.0 million principal amount of 3.625% senior secured notes due June 15, 2029 (the **UPCB Finance VII Notes**). UPCB Finance VII is a special purpose financing entity, which is 100% owned by a third party, created for the primary purpose of facilitating the offering of senior secured notes, for which we are the primary beneficiary. As such, UPC Holding is required to consolidate UPCB Finance VII. UPCB Finance VII used the proceeds to fund **UPC Facility AQ**, an additional facility under the UPC Holding Bank Facility, with a subsidiary of UPC Holding as the borrower. The call provisions, maturity and applicable interest rate for UPC Facility AQ are the same as those for the UPCB Finance VII Notes.

The net proceeds from UPC Facility AQ were used, together with existing cash, to prepay in full the €600.0 million outstanding principal amount under UPC Facility AO. In connection with these transactions, we recognized a loss on debt modification and extinguishment, net, of €4.8 million related to unamortized discounts and deferred financing costs.

Subject to the circumstances described below, the UPCB Finance VII Notes are non-callable until June 15, 2022. At any time prior to June 15, 2022, UPCB Finance VII may redeem some or all of the UPCB Finance VII Notes by paying a “make-whole” premium, which is the present value of all remaining scheduled interest payments to June 15, 2022 using the discount rate (as specified in the indenture) as of the redemption date plus 50 basis points.

UPCB Finance VII may redeem some or all of the UPCB Finance VII Notes at the following redemption prices (expressed as a percentage of the principal amount) plus accrued and unpaid interest and additional amounts (as specified in the indenture), if any, to the applicable redemption date, as set forth below:

	<u>Redemption price</u>
12-month period commencing June 15:	
2022	101.813%
2023	100.906%
2024	100.453%
2025 and thereafter	100.000%

In June 2017, we issued €635.0 million principal amount of 3.875% senior notes due June 15, 2029 (the **UPC Holding 3.875% Senior Notes**). The net proceeds from the UPC Holding 3.875% Senior Notes were held in escrow as cash collateral at June 30, 2017, and subsequently released in a non-cash transaction to redeem in full the €600.0 million outstanding principal of the UPC Holding 3.875% Senior Notes. In connection with these transactions, we recognized a loss on debt modification and extinguishment, net, of €32.7 million. This loss includes (i) the payment of €26.6 million of redemption premiums and (ii) the write-off of €6.1 million of unamortized discounts and deferred financing costs.

Subject to the circumstances described below, the UPC Holding 3.875% Senior Notes are non-callable until June 15, 2022. At any time prior to June 15, 2022, we may redeem some or all of the UPC Holding 3.875% Senior Notes by paying a “make-whole” premium, which is the present value of all remaining scheduled interest payments to June 15, 2022 using the discount rate (as specified in the indenture) as of the redemption date plus 50 basis points.

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We may redeem some or all of the UPC Holding 3.875% Senior Notes at the following redemption prices (expressed as a percentage of the principal amount) plus accrued and unpaid interest and additional amounts (as specified in the indenture), if any, to the applicable redemption date, as set forth below:

	<u>Redemption price</u>
12-month period commencing June 15:	
2022	101.938%
2023	100.969%
2024	100.484%
2025 and thereafter	100.000%

For information regarding refinancing transactions that were completed subsequent to September 30, 2017, see note 12.

Maturities of Debt and Capital Lease Obligations

Maturities of our debt and capital lease obligations as of September 30, 2017 are presented below and such amounts represent euro equivalents based on September 30, 2017 exchange rates:

Debt:

	<u>Third-party debt (a)</u>	<u>Related- party debt in millions</u>	<u>Total</u>
Year ending December 31:			
2017 (remainder of year)	€ 256.8	€ —	€ 256.8
2018	524.6	—	524.6
2019	1.9	—	1.9
2020	4.4	—	4.4
2021	9.6	—	9.6
2022	3.9	—	3.9
Thereafter	5,379.8	6,232.5	11,612.3
Total debt maturities	6,181.0	6,232.5	12,413.5
Discounts and deferred financing costs	(36.5)	—	(36.5)
Total debt	€ 6,144.5	€ 6,232.5	€ 12,377.0
Current portion	€ 780.9	€ —	€ 780.9
Noncurrent portion	€ 5,363.6	€ 6,232.5	€ 11,596.1

- (a) Amounts include certain senior secured notes issued by special purpose financing entities that are consolidated by UPC Holding.

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Capital lease obligations (in millions):

Year ending December 31:

2017 (remainder of year)	€	3.8
2018.....		14.5
2019.....		13.9
2020.....		13.8
2021.....		14.1
2022.....		11.1
Thereafter		28.2
Total principal and interest payments.....		99.4
Amounts representing interest		(18.2)
Present value of net minimum lease payments.....	€	81.2
Current portion	€	10.5
Noncurrent portion	€	70.7

Non-cash Refinancing Transactions

During the nine months ended September 30, 2017 and 2016, certain of our refinancing transactions included non-cash borrowings and repayments of debt aggregating €2,609.9 million (excluding a €600.0 million non-cash repayment of debt from proceeds held in escrow) and €1,815.7 million, respectively.

(8) Income Taxes

Income tax expense attributable to our loss before income taxes differs from the amounts computed using the Dutch income tax rate of 25.0%, as a result of the following factors:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2017	2016	2017	2016
	in millions			
Computed “expected” tax benefit	€ 20.0	€ 45.2	€ 68.7	€ 112.3
Change in valuation allowances.....	(20.2)	(37.9)	(64.0)	(124.0)
Non-deductible or non-taxable interest and other expenses	(3.0)	(20.7)	(36.9)	(37.6)
Other, net.....	(0.4)	(0.3)	(5.1)	3.4
Total income tax expense.....	€ (3.6)	€ (13.7)	€ (37.3)	€ (45.9)

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(9) Related-party Transactions

Our related-party transactions are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
	in millions			
Credits (charges) included in:				
Revenue.....	€ 0.1	€ 0.5	€ 0.3	€ 1.5
Programming and other direct cost of services.....	(2.9)	(1.9)	(7.0)	(7.1)
Other operating	—	0.6	(0.6)	(1.4)
SG&A.....	—	0.5	(1.0)	2.6
Allocated share-based compensation expense	(1.2)	(3.7)	(6.6)	(10.7)
Fees and allocations, net:				
Operating and SG&A (exclusive of depreciation and share-based compensation)	(18.6)	(29.5)	(80.0)	(89.3)
Depreciation	(22.8)	(23.6)	(76.0)	(64.7)
Share-based compensation	(4.4)	(4.4)	(15.3)	(21.4)
Management fee	(44.8)	(36.1)	(115.5)	(63.4)
Total fees and allocations, net.....	(90.6)	(93.6)	(286.8)	(238.8)
Included in operating income.....	(94.6)	(97.6)	(301.7)	(253.9)
Interest expense.....	(159.2)	(140.9)	(471.9)	(424.1)
Interest income.....	—	0.5	0.1	1.4
Included in net loss	€ (253.8)	€ (238.0)	€ (773.5)	€ (676.6)
Property and equipment transfers, net:				
Net book value transferred	€ (121.6)	€ (146.6)	€ (449.6)	€ (438.3)
Net cash received.....	€ 105.8	€ 90.2	€ 292.1	€ 243.7

General. Certain Liberty Global subsidiaries charge fees and allocate costs and expenses to UPC Holding. Depending on the nature of these related-party transactions, the amount of the charges or allocations may be based on (i) our estimated share of the underlying costs, (ii) our estimated share of the underlying costs plus a mark-up or (iii) commercially-negotiated rates. The methodology Liberty Global uses to allocate its central and administrative costs to its borrowing groups impacts the calculation of the “EBITDA” metric specified by our debt agreements (**Covenant EBITDA**). In this regard, the components of related-party fees and allocations that are deducted to arrive at our Covenant EBITDA are based on (a) the amount and nature of costs incurred by the allocating Liberty Global subsidiaries during the period, (b) the allocation methodologies in effect during the period and (c) the size of the overall pool of entities that are charged fees and allocated costs, such that changes in any of these factors would likely result in changes to the amount of related-party fees and allocations that will be deducted to arrive at our Covenant EBITDA in future periods. For example, to the extent that a Liberty Global subsidiary borrowing group was to acquire (sell) an operating entity, and assuming no change in the total costs incurred by the allocating entities, the fees charged and the costs allocated to our company would decrease (increase). Although we believe that the related-party charges and allocations described below are reasonable, no assurance can be given that the related-party costs and expenses reflected in our condensed consolidated statements of operations are reflective of the costs that we would incur on a standalone basis.

Revenue. Amounts primarily relate to B2B related services and network maintenance services provided to certain non-consolidated affiliates.

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Programming and other direct costs of services. Amounts represent certain cash settled charges from other Liberty Global subsidiaries and affiliates to UPC Holding for programming-related services and interconnect services provided to our company by certain of Liberty Global's affiliates.

Other operating expenses. Amounts represent certain cash settled charges between Liberty Global subsidiaries and UPC Holding, primarily for network-related services and other items.

SG&A expenses. Amounts represent certain cash settled charges between Liberty Global subsidiaries and UPC Holding, primarily for information technology-related services and software maintenance services.

Allocated share-based compensation expense. Amounts are allocated to our company by Liberty Global subsidiaries and represent share-based compensation expense associated with the Liberty Global share-based incentive awards held by certain employees of our subsidiaries. Share-based compensation expense is included in SG&A expenses in our condensed consolidated statements of operations.

Fees and allocations, net. These amounts, which are based on our company's estimated share of the applicable costs (including personnel-related and other costs associated with the services provided) incurred by other Liberty Global subsidiaries, represent the aggregate net effect of charges between our company and various Liberty Global subsidiaries that are outside of our company. These charges generally relate to management, finance, legal, technology and other services that support our company's operations. The categories of our fees and allocations, net, are as follows:

- *Operating and SG&A (exclusive of depreciation and share-based compensation).* The amounts included in this category, which are generally loan settled, represent our estimated share of certain centralized technology, management, marketing, finance and other operating and SG&A expenses of Liberty Global's European operations, whose activities benefit multiple operations, including operations within and outside of our company. The amounts allocated represent our estimated share of the actual costs incurred by Liberty Global's European operations, without a mark-up. Amounts in this category are generally deducted to arrive at our Covenant EBITDA.
- *Depreciation.* The amounts included in this category, which are generally loan settled, represent our estimated share of depreciation of assets not owned by our company. The amounts allocated represent our estimated share of the actual costs incurred by Liberty Global's European operations, without a mark-up.
- *Share-based compensation.* The amounts included in this category, which are generally loan settled, represent our estimated share of share-based compensation associated with Liberty Global employees who are not employees of our company. The amounts allocated represent our estimated share of the actual costs incurred by Liberty Global's European operations, without a mark-up.
- *Management fee.* The amounts included in this category, which are generally loan settled, represent our estimated allocable share of (i) operating and SG&A expenses related to stewardship services provided by certain Liberty Global subsidiaries and (ii) the mark-up, if any, applicable to each category of the related-party fees and allocations charged to our company.

Liberty Global charges technology-based fees to our company using a royalty-based method. For the nine months ended September 30, 2017, our €157.7 million proportional share of these technology-based costs was €4.9 million more than the actual amount charged under the royalty-based method. Accordingly, this excess amount has been reflected as a deemed contribution of technology-related services in our condensed consolidated statement of owners' deficit. The fees charged under the royalty-based method are expected to escalate in future periods. Any excess of these charges over our estimated proportionate share of the underlying technology-based costs will be classified as management fees and added back to arrive at Covenant EBITDA.

Interest expense. Amounts primarily include interest accrued on the Shareholder Loan (as defined and described below). Interest expense is accrued and included in other long-term liabilities during the year and then added to the Shareholder Loan balance at the end of the year.

Property and equipment transfers, net. These amounts, which are generally cash settled, represent the net carrying values and net cash received related to (i) customer premises equipment that is centrally procured by a UPC Holding subsidiary and subsequently transferred to other Liberty Global subsidiaries outside of UPC Holding and (ii) used customer premises and network-

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related equipment acquired from or transferred to other Liberty Global subsidiaries, including LG B.V. During all periods presented, the carrying values of the equipment transferred out of UPC Holding exceed the carrying values of the equipment transferred into UPC Holding. The net cash received in connection with these transfers is reflected as a reduction to capital expenditures within our condensed consolidated statements of cash flows. Certain of these transfers relate to third-party purchases of property and equipment initially made by our company under vendor financing arrangements and, accordingly, these purchases are not reported as capital expenditures.

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

	September 30, 2017	December 31, 2016
	in millions	
Assets:		
Current receivables (a)	€ 117.4	€ 114.3
Long-term receivables (b)	€ 23.9	€ 421.2
Liabilities:		
Accounts payable	€ 160.0	€ 107.5
Accrued liabilities	162.1	168.0
Shareholder Loan (c)	6,022.4	5,969.6
UPC Equipment Note (d)	210.1	191.8
Other long-term liabilities (e)	471.9	18.3
Total	€ 7,026.5	€ 6,455.2

- (a) Primarily represents (i) €14.8 million and €12.1 million, respectively, of receivables from LG B.V. and (ii) €54.2 million and €78.3 million, respectively, of receivables due from other Liberty Global subsidiaries related to centrally-procured property and equipment purchased by our company on behalf of these other Liberty Global subsidiaries. These receivables are non-interest bearing and may be cash or loan settled.
- (b) Amounts include (i) €23.8 million and €359.1 million, respectively, of long-term receivables from LG B.V., including VAT paid on behalf of a related party of €152.0 million at December 31, 2016, which was subsequently settled against the Shareholder Loan, as defined and described below, during the first quarter of 2017, and (ii) nil and €61.2 million (including accrued interest), respectively, related to a note receivable (the **Unitymedia Receivable**) from Unitymedia Hessen GmbH & Co. KG (a subsidiary of Liberty Global) to Unitymedia International GmbH (**UMI**), a subsidiary of Liberty Global that prior to January 1, 2017 was consolidated by UPC Holding (as further described in (d) below).
- (c) UPC Holding has an unsecured shareholder loan (the **Shareholder Loan**) with Liberty Global Europe Financing B.V. (**LGE Financing**), which, as amended, matures in 2030 and is subordinated in right of payment to the prior payment in full of the UPC Holding Senior Notes in the event of (i) a total or partial liquidation, dissolution or winding up of UPC Holding, (ii) a bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to UPC Holding or its property, (iii) an assignment for the benefit of creditors or (iv) any marshaling of UPC Holding's assets or liabilities. The interest rate on the Shareholder Loan is a fixed rate of 9.79% and accrued interest is included in other long-term liabilities until it is transferred to the loan balance at the end of each year. The net increase in the Shareholder Loan balance during the first nine months of 2017 includes (a) cash advances of €2,253.0 million, (b) cash payments of €1,770.1 million and (c) a €430.1 million non-cash decrease related to the settlement of certain related-party amounts, including the settlement of a €152.0 million long-term receivable that arose when we paid VAT on behalf of a related party. During the nine months ended September 30, 2017 and 2016, none of our Shareholder Loan repayments represented payments of interest.
- (d) Represents borrowings under a loan agreement (the **UPC Equipment Note**) between a subsidiary of Liberty Global and our subsidiary, UPC Broadband Holding, the successor by merger of UPC Broadband Holding and UPC Equipment B.V.

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(UPC Equipment). The UPC Equipment Note bears interest at 9.29% and matures in March 2032. Accrued and unpaid interest on this note may, at the option of UPC Broadband Holding, be (i) payable on the last day of each month and on the date of each full or partial repayment of the outstanding principal, (ii) added to the outstanding principal amount on January 1 of each year or (iii) payable in any other manner as agreed by the respective parties. UPC Equipment and its immediate parent entity (together, the **UPC Leasing Entities**), and UMI were formed for the purpose of acquiring and legally owning certain customer premises equipment assets to be leased to certain of our other subsidiaries. Prior to January 1, 2017, the leasing transactions between UMI, the UPC Leasing Entities and certain of our other subsidiaries created a variable interest in UMI for which we were the primary beneficiary and, accordingly, UPC Holding was required to consolidate UMI. Effective January 1, 2017, UMI no longer engages in leasing transactions with UPC Holding. As such, UMI is no longer consolidated by UPC Holding. The increase in the aggregate balance of the UPC Equipment Note during the first nine months of 2017 is attributable to additions of €18.3 million in non-cash accrued interest.

- (e) Primarily includes accrued interest on the Shareholder Loan and the UPC Equipment Note. Accrued interest on the Shareholder Loan is included in other long-term liabilities until it is transferred to the loan balance at the end of each year. Accrued interest on the UPC Equipment Note is included in other long-term liabilities until it is transferred to the loan balance on January 1 of each year.

During the nine months ended September 30, 2017, we recorded an aggregate capital charge of €5.4 million in our condensed consolidated statement of owners' deficit in connection with the exercise of Liberty Global share appreciation rights and the vesting of Liberty Global restricted share awards and performance-based restricted share units held by employees of our subsidiaries. We and Liberty Global have agreed that these capital charges will be based on the fair value of the underlying Liberty Global shares associated with share-based incentive awards that vest or are exercised during the period, subject to any reduction that is necessary to ensure that the capital charge does not exceed the amount of share-based compensation expense recorded by our company with respect to Liberty Global share-based incentive awards.

LG B.V. contributes property and equipment to our company, which it acquires on our behalf pursuant to certain vendor financing and capital lease arrangements. During the nine months ended September 30, 2017, LG B.V.'s carrying value in such contributed property and equipment of €14.6 million has been reflected as a decrease to parent's deficit in our condensed consolidated statement of owners' deficit.

(10) Commitments and Contingencies

Commitments

In the normal course of business, we have entered into agreements that commit our company to make cash payments in future periods with respect to programming contracts, purchases of customer premises and other equipment and services, network and connectivity commitments, non-cancellable operating leases and other items. The euro equivalents of such commitments as of September 30, 2017 are presented below:

		Payments due during:								
	Remainder of 2017	2018	2019	2020	2021	2022	Thereafter	Total		
									in millions	
Programming commitments.....	€ 36.0	€ 125.9	€ 114.9	€ 115.0	€ 61.9	€ 27.7	€ —	€ 481.4		
Purchase commitments (a)	84.6	80.5	45.9	43.1	12.7	11.7	43.3	321.8		
Operating leases.....	9.0	30.4	25.5	21.3	17.2	12.9	66.3	182.6		
Network and connectivity commitments.....	35.5	54.6	31.5	18.3	12.4	7.1	20.1	179.5		
Other commitments	3.0	8.0	6.9	6.8	6.6	6.6	6.5	44.4		
Total (b)	€ 168.1	€ 299.4	€ 224.7	€ 204.5	€ 110.8	€ 66.0	€ 136.2	€1,209.7		

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-
- (a) Includes €4.7 million of related-party purchase obligations due during the remainder of 2017.
- (b) The commitments included in this table do not reflect any liabilities that are included in our September 30, 2017 condensed consolidated balance sheet.

Programming commitments consist of obligations associated with certain of our programming and sports rights contracts that are enforceable and legally binding on us as we have agreed to pay minimum fees without regard to (i) the actual number of subscribers to the programming services, (ii) whether we terminate service to a portion of our subscribers or dispose of a portion of our distribution systems or (iii) whether we discontinue our premium sports services. In addition, programming commitments do not include increases in future periods associated with contractual inflation or other price adjustments that are not fixed. Accordingly, the amounts reflected in the above table with respect to these contracts are significantly less than the amounts we expect to pay in these periods under these contracts. Historically, payments to programming vendors have represented a significant portion of our operating costs, and we expect that this will continue to be the case in future periods. In this regard, our total programming and copyright costs aggregated €237.9 million and €223.7 million during the nine months ended September 30, 2017 and 2016, respectively.

Purchase commitments include unconditional and legally-binding obligations related to (i) the purchase of customer premises and other equipment and (ii) certain service-related commitments, including information technology and maintenance services.

Network and connectivity commitments include commitments associated with (i) network maintenance commitments, (ii) fiber leasing agreements, (iii) commitments associated with our mobile virtual network operator (**MVNO**) agreements, (iv) satellite carriage services provided to our company and (v) certain operating costs associated with our leased networks. The amounts reflected in the above table with respect to certain of our MVNO commitments represent fixed minimum amounts payable under these agreements and, therefore, may be significantly less than the actual amounts we ultimately pay in these periods.

Commitments arising from acquisition agreements are not reflected in the above table. For information regarding our commitments under an acquisition agreement, see note 3.

In addition to the commitments set forth in the table above, we have significant commitments under (i) derivative instruments and (ii) defined benefit plans and similar agreements, pursuant to which we expect to make payments in future periods. For information regarding our derivative instruments, including the net cash paid or received in connection with these instruments during the nine months ended September 30, 2017 and 2016, see note 4.

We also have commitments pursuant to agreements with, and obligations imposed by, franchise authorities and municipalities, which may include obligations in certain markets to move aerial cable to underground ducts or to upgrade, rebuild or extend portions of our broadband communication systems. Such amounts are not included in the above table because they are not fixed or determinable.

Guarantees and Other Credit Enhancements

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

Legal and Regulatory Proceedings and Other Contingencies

Hungary VAT Matter. In February 2016, our DTH operations in Luxembourg received a second instance decision from the Hungarian tax authorities as a result of an audit with respect to VAT payments that the Hungarian tax authorities conducted for the years 2010 through 2012. The Hungarian tax authorities assessed our DTH operations with an obligation to pay VAT for the years audited of HUF 5,413.2 million (€17.4 million), excluding interest and penalties, which could be significant. We believe that our DTH operations have operated in compliance with all applicable rules, regulations and interpretations thereof, including a binding tax ruling that we received from the Hungarian government in 2010. In October 2016, a Budapest court disagreed with

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the tax authorities and dismissed the assessment. On February 2, 2017, the Hungarian tax authorities appealed the Budapest court decision to the Hungarian Supreme Court, and on November 9, 2017, the Hungarian Supreme Court affirmed the decision of the Budapest court. We consider this matter to be closed.

Other Regulatory Issues. Video distribution, broadband internet, fixed-line telephony, mobile and content businesses are regulated in each of the countries in which we operate. The scope of regulation varies from country to country, although in some significant respects regulation in European markets is harmonized under the regulatory structure of the European Union (E.U.) Adverse regulatory developments could subject our businesses to a number of risks. Regulation, including conditions imposed on us by competition or other authorities as a requirement to close acquisitions or dispositions, could limit growth, revenue and the number and types of services offered and could lead to increased operating costs and property and equipment additions. In addition, regulation may restrict our operations and subject them to further competitive pressure, including pricing restrictions, interconnect and other access obligations, and restrictions or controls on content, including content provided by third parties. Failure to comply with current or future regulation could expose our businesses to various penalties.

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

(11) Segment Reporting

We generally identify our reportable segments as those consolidated subsidiaries that represent 10% or more of our revenue, Segment OCF (as defined below) or total assets. In certain cases, we may elect to include an operating segment in our segment disclosure that does not meet the above-described criteria for a reportable segment. We evaluate performance and make decisions about allocating resources to our operating segments based on financial measures such as revenue and Segment OCF. In addition, we review non-financial measures such as subscriber growth, as appropriate.

Segment OCF is the primary measure used by our chief operating decision maker to evaluate segment operating performance. Segment OCF is also a key factor that is used by our internal decision makers to (i) determine how to allocate resources to segments and (ii) evaluate the effectiveness of our management for purposes of annual and other incentive compensation plans. As we use the term, “**Segment OCF**” is defined as operating income before depreciation and amortization, share-based compensation, related-party fees and allocations, provisions and provision releases related to significant litigation and impairment, restructuring and other operating items. Other operating items include (a) gains and losses on the disposition of long-lived assets, (b) third-party costs directly associated with successful and unsuccessful acquisitions and dispositions, including legal, advisory and due diligence fees, as applicable, and (c) other acquisition-related items, such as gains and losses on the settlement of contingent consideration. Our internal decision makers believe Segment OCF is a meaningful measure because it represents a transparent view of our recurring operating performance that is unaffected by our capital structure and allows management to (1) readily view operating trends, (2) perform analytical comparisons and benchmarking between segments and (3) identify strategies to improve operating performance in the different countries in which we operate. A reconciliation of total Segment OCF to our loss before income taxes is presented below.

As of September 30, 2017, our reportable segments were as follows:

- Switzerland/Austria
- Central and Eastern Europe

Our reportable segments derive their revenue primarily from broadband communications services, including video, broadband internet and fixed-line telephony services. Each of our reportable segments also provides B2B and mobile services. At September 30, 2017, we provided broadband communications services in seven European countries and DTH services to customers in the Czech Republic, Hungary, Romania and Slovakia through UPC DTH. In addition to UPC DTH, our Central and Eastern Europe segment includes our broadband communications operations in the Czech Republic, Hungary, Poland, Romania and Slovakia.

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Performance Measures of Our Reportable Segments

	Revenue			
	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
	in millions			
Switzerland/Austria	€ 388.2	€ 393.6	€ 1,181.4	€ 1,182.2
Central and Eastern Europe	260.8	245.9	777.7	729.6
Total	€ 649.0	€ 639.5	€ 1,959.1	€ 1,911.8

	Segment OCF			
	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
	in millions			
Switzerland/Austria	€ 231.8	€ 245.0	€ 713.9	€ 712.3
Central and Eastern Europe	117.2	108.0	333.1	309.9
Other	(0.3)	(0.4)	(1.0)	(1.1)
Total	€ 348.7	€ 352.6	€ 1,046.0	€ 1,021.1

The following table provides a reconciliation of total Segment OCF to loss before income taxes:

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
	in millions			
Total Segment OCF	€ 348.7	€ 352.6	€ 1,046.0	€ 1,021.1
Share-based compensation expense	(1.2)	(3.7)	(6.6)	(10.7)
Related-party fees and allocations, net	(90.6)	(93.6)	(286.8)	(238.8)
Depreciation and amortization	(141.9)	(137.3)	(428.3)	(408.5)
Impairment, restructuring and other operating items, net	(1.2)	(0.9)	(3.0)	(3.8)
Operating income	113.8	117.1	321.3	359.3
Interest expense:				
Third-party	(75.1)	(84.0)	(231.4)	(251.1)
Related-party	(159.2)	(140.9)	(471.9)	(424.1)
Realized and unrealized gains (losses) on derivative instruments, net	92.8	(101.6)	(98.3)	(224.0)
Foreign currency transaction gains (losses), net	(21.5)	65.7	248.4	124.9
Losses on debt modification and extinguishment, net	(32.7)	(43.5)	(45.9)	(43.5)
Other income, net	1.9	6.5	3.0	9.4
Loss before income taxes	€ (80.0)	€ (180.7)	€ (274.8)	€ (449.1)

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Property and Equipment Additions of our Reportable Segments

The property and equipment additions of our reportable segments (including capital additions financed under vendor financing or capital lease arrangements) are presented below and reconciled to the capital expenditure amounts included in our condensed consolidated statements of cash flows. For additional information concerning capital additions financed under vendor financing and capital lease arrangements, see note 7.

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
	in millions			
Switzerland/Austria	€ 85.6	€ 87.0	€ 223.4	€ 215.8
Central and Eastern Europe	84.6	70.9	268.1	198.2
Total segment property and equipment additions	170.2	157.9	491.5	414.0
Other (a).....	(7.3)	(6.2)	12.8	16.5
Total property and equipment additions	162.9	151.7	504.3	430.5
Assets acquired under capital-related vendor financing arrangements	(112.2)	(147.6)	(533.5)	(471.9)
Assets contributed by parent company	(1.5)	(5.6)	(14.6)	(12.6)
Assets acquired under capital leases.....	(5.2)	(2.1)	(57.0)	(4.8)
Changes in current liabilities related to capital expenditures (including related-party amounts) (b)	(13.5)	36.1	208.8	190.4
Total capital expenditures	€ 30.5	€ 32.5	€ 108.0	€ 131.6

- (a) Primarily relates to inventory build-up of centrally-procured customer premises equipment. This equipment is ultimately transferred to certain of Liberty Global's European operating subsidiaries, including subsidiaries within UPC Holding. Equipment transferred outside of UPC Holding is reflected as a reduction to UPC Holding's property and equipment additions in the period in which the equipment is transferred. For additional information, see note 9.
- (b) Includes cash received for property and equipment transfers outside of UPC Holding. For additional information, see note 9.

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Revenue by Major Category

Our revenue by major category is set forth below. Effective April 1, 2017, we changed the categories that we present in this table in order to align with our internal reporting. These changes were retroactively reflected in the prior-year periods.

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
	in millions			
Residential revenue:				
Residential cable revenue (a):				
Subscription revenue (b):				
Video.....	€ 291.6	€ 298.9	€ 893.9	€ 893.4
Broadband internet.....	175.9	177.0	534.6	532.0
Fixed-line telephony	47.8	52.6	149.4	160.8
Total subscription revenue.....	515.3	528.5	1,577.9	1,586.2
Non-subscription revenue	33.3	29.0	95.1	85.7
Total residential cable revenue.....	548.6	557.5	1,673.0	1,671.9
Residential mobile revenue (c):				
Subscription revenue (b)	12.4	8.4	34.1	20.5
Non-subscription revenue	4.7	3.9	13.2	14.9
Total residential mobile revenue.....	17.1	12.3	47.3	35.4
Total residential revenue	565.7	569.8	1,720.3	1,707.3
B2B revenue (d):				
Subscription revenue	18.4	15.9	52.6	44.7
Non-subscription revenue.....	64.9	53.8	186.2	159.8
Total B2B revenue.....	83.3	69.7	238.8	204.5
Total.....	€ 649.0	€ 639.5	€ 1,959.1	€ 1,911.8

- (a) Residential cable subscription revenue includes amounts received from subscribers for ongoing services. Residential cable non-subscription revenue includes, among other items, channel carriage fees, installation revenue, late fees and revenue from the sale of equipment.
- (b) Residential subscription revenue from subscribers who purchase bundled services at a discounted rate is generally allocated proportionally to each service based on the standalone price for each individual service. As a result, changes in the standalone pricing of our cable and mobile products or the composition of bundles can contribute to changes in our product revenue categories from period to period.
- (c) Residential mobile subscription revenue includes amounts received from subscribers for ongoing services. Residential mobile non-subscription revenue includes, among other items, interconnect revenue and revenue from sales of mobile handsets and other devices.
- (d) B2B subscription revenue represents revenue from services to certain small or home office (SOHO) subscribers. SOHO subscribers pay a premium price to receive expanded service levels along with video, broadband internet, fixed-line telephony or mobile services that are the same or similar to the mass marketed products offered to our residential subscribers. B2B non-subscription revenue includes business broadband internet, video, fixed-line telephony, mobile and data services offered to medium to large enterprises and, on a wholesale basis, to other operators.

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Geographic Segments

The revenue of our geographic segments is set forth below:

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
	in millions			
Switzerland	€ 300.4	€ 308.3	€ 919.4	€ 926.1
Poland	91.5	88.7	274.1	264.2
Austria	87.8	85.3	262.0	256.1
Hungary	69.6	62.8	205.0	184.1
The Czech Republic	43.8	40.4	131.1	121.3
Romania	40.1	38.7	119.8	114.2
Slovakia	13.2	13.2	40.0	40.0
Other	2.6	2.1	7.7	5.8
Total	€ 649.0	€ 639.5	€ 1,959.1	€ 1,911.8

(12) Subsequent Event

Refinancing Transactions

In October 2017, we (i) entered into a \$1,975.0 million (€1,673.2 million) term loan facility (**UPC Facility AR**), which matures on January 15, 2026 and bears interest at a rate of LIBOR + 2.50%, subject to a LIBOR floor of 0.0%, (ii) entered into a €500.0 million term loan facility (**UPC Facility AS**), which matures on October 15, 2026 and bears interest at a rate of EURIBOR + 2.75%, subject to a EURIBOR floor of 0.0%, and (iii) issued \$550.0 million (€466.0 million) principal amount of 5.50% senior notes due January 15, 2028 (the **UPC Holding 5.50% Senior Notes**). The net proceeds from UPC Facility AR, UPC Facility AS and the UPC Holding 5.50% Senior Notes were used to (a) prepay in full the \$2,150.0 million (€1,821.5 million) outstanding principal amount under UPC Facility AP, (b) redeem in full the €450.0 million outstanding principal amount under the UPC Holding 6.75% Euro Senior Notes due 2023 and (c) redeem in full the CHF 350.0 million (€305.9 million) outstanding principal amount under the UPC Holding 6.75% CHF Senior Notes due 2023.

Subject to the circumstances described below, the UPC Holding 5.50% Senior Notes are non-callable until October 15, 2022. At any time prior to October 15, 2022, we may redeem some or all of the UPC Holding 5.50% Senior Notes by paying a “make-whole” premium, which is the present value of all remaining scheduled interest payments to October 15, 2022 using the discount rate (as specified in the indenture) as of the redemption date plus 50 basis points.

We may redeem some or all of the UPC Holding 5.50% Senior Notes at the following redemption prices (expressed as a percentage of the principal amount) plus accrued and unpaid interest and additional amounts (as specified in the indenture), if any, to the applicable redemption date, as set forth below:

	<u>Redemption price</u>
12-month period commencing October 15:	
2022	102.750%
2023	101.375%
2024	100.688%
2025 and thereafter	100.000%

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

The following discussion and analysis, which should be read in conjunction with our condensed consolidated financial statements and the discussion and analysis included in our 2016 annual report, is intended to assist in providing an understanding of our financial condition, changes in financial condition and results of operations and is organized as follows:

- *Forward-looking Statements.* This section provides a description of certain 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, 2017 and 2016.
- *Material Changes in Financial Condition.* This section provides an analysis of our parent and subsidiary liquidity, condensed consolidated statements of cash flows and contractual commitments.

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

Unless otherwise indicated, convenience translations into euros are calculated as of September 30, 2017.

Forward-looking Statements

Certain statements in this quarterly report constitute forward-looking statements. To the extent that statements in this quarterly report are not recitations of historical fact, such statements constitute forward-looking statements, which, by definition, involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. In particular, statements under *Management's Discussion and Analysis of Financial Condition and Results of Operations* may contain forward-looking statements, including statements regarding our business, product, foreign currency and finance strategies, our property and equipment additions (including with respect to our network extensions), subscriber growth and retention rates, competitive, regulatory and economic factors, the timing and impacts of proposed transactions, the maturity of our markets, the anticipated impacts of new legislation (or changes to existing rules and regulations), anticipated changes in our revenue, costs or growth rates, our liquidity, credit risks, foreign currency risks, target leverage levels, our future projected contractual commitments and cash flows and other information and statements that are not historical fact. 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 evaluating these statements, you should consider the following list of 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 countries in which we operate;
- the competitive environment in the industries in the countries in which we operate, including competitor responses to our products and services;
- fluctuations in currency exchange rates and interest rates;
- instability in global financial markets, including sovereign debt issues and related fiscal reforms;
- consumer disposable income and spending levels, including the availability and amount of individual consumer debt;
- changes in consumer television viewing preferences and habits;
- customer acceptance of our existing service offerings, including our cable television, broadband internet, fixed-line telephony, mobile and business service offerings, and of new technology, programming alternatives and other products and services that we may offer in the future;
- our ability to manage rapid technological changes;

- our ability to maintain or increase the number of subscriptions to our cable television, broadband internet, fixed-line telephony and mobile service offerings and our average revenue per household;
- our ability to provide satisfactory customer service, including support for new and evolving products and services;
- our ability to maintain or increase rates to our subscribers or to pass through increased costs to our subscribers;
- the impact of our future financial performance, or market conditions generally, on the availability, terms and deployment of capital;
- changes in, or failure or inability to comply with, government regulations in the countries in which we operate and adverse outcomes from regulatory proceedings;
- government intervention that requires opening our broadband distribution networks to competitors;
- our ability to obtain regulatory approval and satisfy other conditions necessary to close acquisitions and dispositions, and the impact of conditions imposed by competition and other regulatory authorities in connection with acquisitions;
- our ability to successfully acquire new businesses and, if acquired, to integrate, realize anticipated efficiencies from and implement our business plan with respect to the businesses we have acquired or that we expect to acquire;
- changes in laws or treaties relating to taxation, or the interpretation thereof, in countries in which we operate;
- changes in laws and government regulations that may impact the availability and cost of capital and the derivative instruments that hedge certain of our financial risks;
- the ability of suppliers and vendors (including our third-party wireless network providers under our MVNO arrangements) to timely deliver quality products, equipment, software, services and access;
- the availability of attractive programming for our video services and the costs associated with such programming, including retransmission and copyright fees payable to public and private broadcasters;
- uncertainties inherent in the development and integration of new business lines and business strategies;
- our ability to adequately forecast and plan future network requirements, including the costs and benefits associated with our planned network extensions;
- the availability of capital for the acquisition and/or development of telecommunications networks and services;
- problems we may discover post-closing with the operations, including the internal controls and financial reporting process, of businesses we acquire;
- the leakage of sensitive customer data;
- the outcome of any pending or threatened litigation;
- the loss of key employees and the availability of qualified personnel;
- changes in the nature of key strategic relationships with partners and joint venturers; and
- events that are outside of our control, such as political unrest in international markets, terrorist attacks, malicious human acts, natural disasters, pandemics and other similar events.

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

Overview

General

We are an international provider of (i) video, broadband internet and fixed-line telephony services in seven European countries and (ii) mobile services in four European countries. We also provide DTH services to customers in the Czech Republic, Hungary, Romania and Slovakia through UPC DTH. In addition, each of our reportable segments also provides B2B services.

Operations

At September 30, 2017, we owned and operated networks that passed 13,868,200 homes and served 13,217,000 revenue generating units (**RGUs**), consisting of 5,992,300 video subscribers, 4,244,300 broadband internet subscribers and 2,980,400 fixed-line telephony subscribers. In addition, at September 30, 2017, we served 246,400 mobile subscribers.

Competition and Other External Factors

We are experiencing significant competition from incumbent telecommunications operators, DTH operators and/or other providers in all of our markets, particularly in Switzerland. The significant competition we are experiencing, together with macroeconomic factors, has adversely impacted our revenue, RGUs and/or average monthly subscription revenue per average cable RGU or mobile subscriber, as applicable (**ARPU**) in Switzerland. For additional information regarding the revenue impact of changes in the RGUs and ARPU of our reportable segments, see *Discussion and Analysis of our Reportable Segments* below.

In addition to competition, our operations are subject to macroeconomic, political and other risks that are outside of our control. On June 23, 2016, the United Kingdom (**U.K.**) held a referendum in which U.K. citizens voted in favor of, on an advisory basis, an exit from the E.U., commonly referred to as “**Brexit**.” The terms of any withdrawal are subject to a negotiation period that could take until March 2019. A withdrawal could, among other outcomes, disrupt the free movement of goods, services, people and capital between the U.K. and the E.U., undermine bilateral cooperation in key geographic areas and significantly disrupt trade between the U.K. and the E.U. or other nations as the U.K. pursues independent trade relations. In addition, the value of the British pound sterling relative to the U.S. dollar remains at levels that are significantly below pre-Brexit levels. The effects of Brexit could adversely affect our business, results of operations, financial condition and liquidity.

In addition, high levels of sovereign debt in the U.S. and several countries in which we operate, combined with weak growth and high unemployment, could potentially lead to fiscal reforms (including austerity measures), tax increases, sovereign debt restructurings, currency instability, increased counterparty credit risk, high levels of volatility and disruptions in the credit and equity markets, as well as other outcomes that might adversely impact our company. The occurrence of any of these events, especially within the eurozone countries given our significant exposure to the euro, could have an adverse impact on, among other matters, our liquidity and cash flows.

Material Changes in Results of Operations

The comparability of our operating results during 2017 and 2016 is somewhat affected by acquisitions and foreign currency translation effects (**FX**). As we use the term, organic changes exclude FX and the estimated impact of acquisitions.

In the following discussion, we quantify the estimated impact of acquisitions (the **Acquisition Impact**) on our operating results. The Acquisition Impact represents our estimate of the difference between the operating results of the periods under comparison that is attributable to an acquisition. In general, we base our estimate of the Acquisition Impact on an acquired entity's operating results during the first three to six months following the acquisition date, as adjusted to remove integration costs and any other material unusual or nonoperational items, such that changes from those operating results in subsequent periods are considered to be organic changes. Accordingly, in the following discussion, (i) organic variances attributed to an acquired entity during the first 12 months following the acquisition date represent differences between the Acquisition Impact and the actual results and (ii) the calculation of our organic change percentages includes the organic activity of an acquired entity relative to the Acquisition Impact of such entity.

During 2016, we changed how we calculate our organic change percentages to include the Acquisition Impact in the denominator of the calculation, as this methodology takes into account the size of the acquired entity's operations relative to our existing operations. This change has been reflected retroactively for all periods presented herein.

Changes in foreign currency exchange rates have a significant impact on our reported operating results as most of our operating segments have functional currencies other than the euro. Our primary exposure to FX risk during the three months ended

September 30, 2017 was to the Swiss franc and other local currencies in Europe as 84.0% of our euro revenue during the period was derived from subsidiaries whose functional currency is other than the euro. The portions of the changes in the various components of our results of operations that are attributable to changes in FX are highlighted under *Discussion and Analysis of our Reportable Segments* and *Discussion and Analysis of our Consolidated Operating Results* below.

Discussion and Analysis of our Reportable Segments

General

Our reportable segments derive their revenue primarily from (i) residential broadband communications services, including video, broadband internet and fixed-line telephony services, (ii) B2B communications services and (iii) residential mobile services. For detailed information regarding the composition of our reportable segments and how we define and categorize our revenue components, see note 11 to our condensed consolidated financial statements.

The tables presented below in this section provide a separate analysis of each of the line items that comprise Segment OCF of our reportable segments, as well as an analysis of Segment OCF by reportable segment for the three and nine months ended September 30, 2017 and 2016. These tables present (i) the amounts reported by each of our reportable segments for the current and comparative periods, (ii) the reported euro change and percentage change from period to period and (iii) the organic percentage change from period to period. The comparisons that exclude FX assume that exchange rates remained constant at the prior-year rate during the comparative periods that are included in each table. We also provide a table showing the Segment OCF margins of our reportable segments for the three and nine months ended September 30, 2017 and 2016 at the end of this section. We do not include share-based compensation in the discussion and analysis of the SG&A expenses of our reportable segments as share-based compensation expense is not included in the performance measures of our reportable segments.

In Switzerland/Austria, we offer our customers the option to purchase a mobile handset pursuant to a contract that is independent of a mobile airtime services contract (a **Split-contract Program**). Revenue associated with handsets sold under a Split-contract Program is recognized upfront and included in other non-subscription revenue. We generally recognize the full sales price for the mobile handset upon delivery, regardless of whether the sales price is received upfront or in installments. Prior to the Split-contract Programs, all revenue from handset sales that was contingent upon delivering future airtime services was recognized over the life of the customer contract as part of the monthly fee and included in subscription revenue.

All of our revenue is derived from jurisdictions that administer VAT or similar revenue-based taxes. Any increases in these taxes could have an adverse impact on our ability to maintain or increase our revenue to the extent that we are unable to pass such tax increases on to our customers. In the case of revenue-based taxes for which we are the ultimate taxpayer, we will also experience increases in our operating costs and expenses and corresponding declines in our Segment OCF and Segment OCF margins to the extent of any such tax increases.

We pay interconnection fees to other telephony providers when calls or text messages from our subscribers terminate on another network, and we receive similar fees from such providers when calls or text messages from their customers terminate on our networks or networks that we access through MVNO or other arrangements. The amounts we charge and incur with respect to fixed-line telephony and mobile interconnection fees are subject to regulatory oversight. To the extent that regulatory authorities introduce fixed-line or mobile termination rate changes, we would experience prospective changes and, in very limited cases, we could experience retroactive changes in our interconnect revenue and/or costs. The ultimate impact of any such changes in termination rates on our Segment OCF would be dependent on the call or text messaging patterns that are subject to the changed termination rates.

We are subject to inflationary pressures with respect to certain costs and foreign currency exchange risk with respect to costs and expenses that are denominated in currencies other than the respective functional currencies of our operating segments (**non-functional currency expenses**). Any cost increases that we are not able to pass on to our subscribers through rate increases would result in increased pressure on our operating margins.

Revenue of our Reportable Segments

	Three months ended September 30,		Increase (decrease)		Organic increase
	2017	2016	€	%	%
	in millions				
Switzerland/Austria.....	€ 388.2	€ 393.6	€ (5.4)	(1.4)	1.1
Central and Eastern Europe	260.8	245.9	14.9	6.1	4.9
Total.....	€ 649.0	€ 639.5	€ 9.5	1.5	2.6
	Nine months ended September 30,		Increase (decrease)		Organic increase (decrease)
	2017	2016	€	%	%
	in millions				
Switzerland/Austria.....	€ 1,181.4	€ 1,182.2	€ (0.8)	(0.1)	(0.5)
Central and Eastern Europe.....	777.7	729.6	48.1	6.6	5.5
Total.....	€ 1,959.1	€ 1,911.8	€ 47.3	2.5	1.8

General. While not specifically discussed in the below explanations of the changes in the revenue of our reportable segments, we are experiencing significant competition in all of our markets. This competition has an adverse impact on our ability to increase or maintain our RGUs and/or ARPU.

Variances in the subscription revenue that we receive from our customers are a function of (i) changes in the number of RGUs or mobile subscribers outstanding during the period and (ii) changes in ARPU. Changes in ARPU can be attributable to (a) changes in prices, (b) changes in bundling or promotional discounts, (c) changes in the tier of services selected, (d) variances in subscriber usage patterns and (e) the overall mix of cable and mobile products within a segment during the period. In the following discussion, we discuss ARPU changes in terms of the net impact of the above factors on the ARPU that is derived from our video, broadband internet, fixed-line telephony and mobile products.

Switzerland/Austria. The details of the changes in Switzerland/Austria's revenue during the three and nine months ended September 30, 2017, as compared to the corresponding periods in 2016, are set forth below:

	Three-month period			Nine-month period		
	Subscription revenue	Non- subscription revenue	Total	Subscription revenue	Non- subscription revenue	Total
	in millions					
Increase (decrease) in residential cable subscription revenue due to change in:						
Average number of RGUs (a).....	€ 2.1	€ —	€ 2.1	€ 1.9	€ —	€ 1.9
ARPU (b).....	(13.1)	—	(13.1)	(32.6)	—	(32.6)
Increase in residential cable non- subscription revenue (c).....	—	4.2	4.2	—	5.5	5.5
Total increase (decrease) in residential cable revenue.....	(11.0)	4.2	(6.8)	(30.7)	5.5	(25.2)
Increase (decrease) in residential mobile revenue (d)	3.6	0.8	4.4	11.4	(2.1)	9.3
Increase in B2B revenue (e)	0.8	6.0	6.8	2.8	7.6	10.4
Total organic increase (decrease).....	(6.6)	11.0	4.4	(16.5)	11.0	(5.5)
Impact of acquisitions.....	0.4	1.4	1.8	1.1	4.3	5.4
Impact of FX.....	(9.6)	(2.0)	(11.6)	(0.8)	0.1	(0.7)
Total.....	€ (15.8)	€ 10.4	€ (5.4)	€ (16.2)	€ 15.4	€ (0.8)

- (a) The increases in residential cable subscription revenue related to changes in the average number of RGUs are attributable to the net effect of (i) declines in the average number of video RGUs and (ii) increases in the average number of fixed-line telephony and broadband internet RGUs.
- (b) The decreases in residential cable subscription revenue related to changes in ARPU are attributable to (i) decreases due to lower ARPU from fixed-line telephony, video and broadband internet services and (ii) adverse changes in RGU mix.
- (c) The increases in residential cable non-subscription revenue are primarily attributable to the net effect of (i) increases in revenue from the distribution of our Swiss sports channel, (ii) decreases in installation revenue, as decreases in Switzerland were only slightly offset by increases in Austria, and (iii) decreases in equipment sales in Switzerland. In addition, the increase in residential cable non-subscription revenue for the nine-month comparison includes the favorable impact of the release of unclaimed customer credits in Switzerland during the 2017 period of €5.8 million.
- (d) The increases in residential mobile subscription revenue are due to the net impact of (i) increases in the average number of mobile subscribers and (ii) lower ARPU from mobile services. The decrease in residential mobile non-subscription revenue for the nine-month period is largely due to decreases in sales of mobile handsets and other devices, as decreases in Switzerland were only partially offset by increases in Austria.
- (e) The increases in B2B subscription revenue are primarily attributable to increases in the average number of broadband internet and video SOHO RGUs. The increases in B2B non-subscription revenue are mostly due to higher revenue from data and fixed-line telephony services in Switzerland.

Central and Eastern Europe. The details of the increases in Central and Eastern Europe's revenue during the three and nine months ended September 30, 2017, as compared to the corresponding periods in 2016 are set forth below:

	Three-month period			Nine-month period		
	Subscription revenue	Non-subscription revenue	Total	Subscription revenue	Non-subscription revenue	Total
	in millions					
Increase (decrease) in residential cable subscription revenue due to change in:						
Average number of RGUs (a).....	€ 6.1	€ —	€ 6.1	€ 20.8	€ —	€ 20.8
ARPU (b).....	(1.6)	—	(1.6)	(5.8)	—	(5.8)
Increase in residential cable non-subscription revenue (c).....	—	0.7	0.7	—	4.0	4.0
Total increase in residential cable revenue	4.5	0.7	5.2	15.0	4.0	19.0
Increase in residential mobile revenue (d)	0.6	0.2	0.8	2.1	0.3	2.4
Increase in B2B revenue (e)	2.0	4.4	6.4	6.0	12.9	18.9
Total organic increase	7.1	5.3	12.4	23.1	17.2	40.3
Impact of FX	2.3	0.2	2.5	7.2	0.6	7.8
Total	€ 9.4	€ 5.5	€ 14.9	€ 30.3	€ 17.8	€ 48.1

- (a) The increases in residential cable subscription revenue related to changes in the average number of RGUs are attributable to (i) increases in the average number of broadband internet RGUs, due primarily to increases in Hungary, Czech Republic, Romania and Poland, (ii) increases in the average number of video RGUs, primarily due to increases in Hungary, Poland and Romania that were only partially offset by decreases in the Czech Republic and (iii) increases in the average number of fixed-line telephony RGUs, due primarily to increases in Hungary.
- (b) The decreases in residential cable subscription revenue related to changes in ARPU are primarily attributable to (i) the net effect of (a) higher ARPU from video services, due primarily to increases in Poland, UPC DTH, and Hungary, (b) lower ARPU from broadband internet services, primarily driven by decreases in Poland and Hungary that were only partially

offset by increases in Romania, and (c) lower ARPU from fixed-line telephony services, primarily in Poland, Romania and Hungary and (ii) improvements in RGU mix, as improvements in Hungary and Poland were only partially offset by adverse changes in Romania and the Czech Republic.

- (c) The increases in residential cable non-subscription revenue are largely attributable to net increases in Hungary and at UPC DTH.
- (d) The increases in residential mobile subscription revenue are primarily due to increases in the average number of mobile subscribers in Hungary.
- (e) The increases in B2B subscription revenue are largely attributable to increases in the average number of broadband internet SOHO RGUs. The increases in B2B non-subscription revenue are primarily due to (i) higher revenue from fixed-line telephony services, primarily in the Czech Republic, and (ii) higher interconnect revenue, primarily due to higher volumes in Poland and Hungary.

Programming and Other Direct Costs of Services of our Reportable Segments

Programming and other direct costs of services include programming and copyright costs, interconnect and access costs, costs of mobile handsets and other devices and other direct costs related to our operations. Programming and copyright costs, which represent a significant portion of our operating costs, are subject to increase in future periods as a result of (i) higher costs associated with the expansion of our digital video content, including rights associated with ancillary product offerings and rights that provide for the broadcast of live sporting events, (ii) rate increases and (iii) growth in the number of our enhanced video subscribers.

	Three months ended September 30,		Increase		Organic increase
	2017	2016	€	%	%
	in millions				
Switzerland/Austria	€ 61.0	€ 55.2	€ 5.8	10.5	13.7
Central and Eastern Europe	65.1	58.0	7.1	12.2	11.3
Total	€ 126.1	€ 113.2	€ 12.9	11.4	12.3
	Nine months ended September 30,		Increase		Organic increase
	2017	2016	€	%	%
	in millions				
Switzerland/Austria	€ 167.8	€ 165.9	€ 1.9	1.1	1.1
Central and Eastern Europe	198.7	170.0	28.7	16.9	16.0
Total	€ 366.5	€ 335.9	€ 30.6	9.1	8.6

Our programming and other direct costs of services increased €12.9 million or 11.4% and €30.6 million or 9.1% during the three and nine months ended September 30, 2017, respectively, as compared to the corresponding periods in 2016. These increases include €0.1 million and €0.4 million, respectively, attributable to the impact of acquisitions. On an organic basis, our programming and other direct costs of services increased €13.9 million or 12.3% and €28.9 million or 8.6%, respectively. These increases include the following factors:

- Increases in interconnect and access costs of €7.7 million or 33.8% and €16.2 million or 25.4%, respectively, primarily due to (i) higher fixed-line telephony call volumes in the Czech Republic, Poland and, for the three-month comparison, Switzerland/Austria, and (ii) higher MVNO costs, primarily in Switzerland/Austria and Hungary;
- Increases in programming and copyright costs of €4.9 million or 6.5% and €14.2 million or 6.4%, respectively, primarily due to increases in Hungary, Romania, Switzerland/Austria for the three-month comparison and Poland for the nine-month comparison. These increases are primarily due to the net effect of (i) higher costs for certain premium and/or basic content in Hungary, Switzerland/Austria, Romania and, for the nine-month comparison, Poland, including higher costs for sport rights in Switzerland/Austria, (ii) lower costs for copyright fees in Switzerland/Austria and (iii) growth in the number of enhanced video subscribers, primarily in Hungary, Romania and Poland; and
- A decrease in mobile handset and other device costs of €4.1 million or 32.3% for the nine-month comparison, primarily due to lower mobile handset and other device sales volumes in Switzerland/Austria.

Other Operating Expenses of our Reportable Segments

Other operating expenses include network operations, customer operations, customer care and other costs related to our operations.

	Three months ended September 30,		Increase (decrease)		Organic increase (decrease)
	2017	2016	€	%	%
	in millions				
Switzerland/Austria	€ 49.4	€ 48.6	€ 0.8	1.6	2.9
Central and Eastern Europe	40.6	43.6	(3.0)	(6.9)	(7.2)
Total	€ 90.0	€ 92.2	€ (2.2)	(2.4)	(1.5)

	Nine months ended September 30,		Decrease		Organic decrease
	2017	2016	€	%	%
	in millions				
Switzerland/Austria	€ 153.5	€ 156.0	€ (2.5)	(1.6)	(2.6)
Central and Eastern Europe	129.3	133.9	(4.6)	(3.4)	(4.2)
Total	€ 282.8	€ 289.9	€ (7.1)	(2.4)	(3.4)

Our other operating expenses decreased €2.2 million or 2.4% and €7.1 million or 2.4% during the three and nine months ended September 30, 2017, respectively, as compared to the corresponding periods in 2016. These decreases include increases of €0.6 million and €1.7 million, respectively, attributable to the impact of an acquisition. On an organic basis, our other operating expenses decreased €1.4 million or 1.5% and €9.8 million or 3.4%, respectively. These decreases include the following factors:

- An increase (decrease) in personnel costs of €1.9 million or 7.2% and (€3.3 million) or (3.7%), respectively. The higher costs for the three-month comparison are primarily due to the net effect of (i) increased costs in Switzerland/Austria resulting from lower capitalized labor costs, (ii) higher incentive compensation costs and (iii) lower staffing levels. The lower costs for the nine-month comparison are largely due to the net effect of (a) lower staffing levels in Switzerland/Austria, Poland, the Czech Republic, and to a lesser extent, Romania and Slovakia and (b) increased costs in Switzerland/Austria resulting from lower capitalized labor costs;
- Decreases in bad debt and collection expense of €0.6 million or 11.2% and €2.5 million or 14.4%, respectively, primarily due to decreases in Switzerland/Austria;
- Decreases in vehicle expense of €0.5 million or 58.1% and €1.8 million or 57.2%, respectively, primarily in Switzerland/Austria, Romania and Poland; and
- Decreases in network-related expenses of €1.9 million or 4.6% and €0.3 million or 0.2%, respectively, primarily due to the net effect of (i) decreases in satellite carriage fees due to the impact of the conversion of a capacity agreement to a capital lease and (ii) increases in network maintenance costs, primarily in Poland and Romania.

SG&A Expenses of our Reportable Segments

SG&A expenses include human resources, information technology, general services, management, finance, legal, external sales and marketing costs, share-based compensation and other general expenses.

	Three months ended September 30,		Increase (decrease)		Organic increase
	2017	2016	€	%	%
	in millions				
Switzerland/Austria	€ 46.0	€ 44.8	€ 1.2	2.7	4.4
Central and Eastern Europe	37.9	36.3	1.6	4.4	3.7
Other	0.3	0.4	(0.1)	N.M.	N.M.
Total SG&A expenses excluding share-based compensation expense	84.2	81.5	2.7	3.3	4.2
Share-based compensation expense	1.2	3.7	(2.5)	(67.6)	
Total	€ 85.4	€ 85.2	€ 0.2	0.2	

	Nine months ended September 30,		Increase (decrease)		Organic decrease
	2017	2016	€	%	%
	in millions				
Switzerland/Austria	€ 146.2	€ 148.0	€ (1.8)	(1.2)	(1.5)
Central and Eastern Europe	116.6	115.8	0.8	0.7	(0.1)
Other	1.0	1.1	(0.1)	(9.1)	N.M.
Total SG&A expenses excluding share-based compensation expense	263.8	264.9	(1.1)	(0.4)	(0.9)
Share-based compensation expense	6.6	10.7	(4.1)	(38.3)	
Total	€ 270.4	€ 275.6	€ (5.2)	(1.9)	

N.M. — Not Meaningful.

Our SG&A expenses (exclusive of share-based compensation expense) increased (decreased) €2.7 million or 3.3% and (€1.1 million) or (0.4%), respectively, during the three and nine months ended September 30, 2017, as compared to the corresponding periods in 2016. These changes include increases of €0.2 million and €0.6 million, respectively, attributable to the impact of acquisitions. On an organic basis, our SG&A expenses increased (decreased) €3.4 million or 4.2% and (€2.5 million) or (0.9%), respectively. These changes include the following factors:

- Decreases in outsourced labor and professional fees of €1.4 million or 42.3% and €4.1 million or 34.4%, respectively, largely due to decreases in consulting costs in Switzerland/Austria, Hungary and Poland;
- Increases in personnel costs of €3.3 million or 8.3% and €3.2 million or 2.5%, respectively, largely due to the net effect of (i) higher staffing levels, as increases in Romania, Switzerland/Austria and Poland were only partially offset by decreases in Hungary, (ii) higher incentive compensation costs in Switzerland/Austria and (iii) lower costs related to certain employee benefits in Switzerland/Austria;
- Increases in external sales and marketing costs of €2.9 million or 12.6% and €2.2 million or 2.8%, respectively, primarily due to (i) higher third-party sales commissions, primarily in Hungary, Poland and Switzerland/Austria, and (ii) higher costs associated with advertising campaigns;
- Decreases in information technology-related expenses of €0.6 million or 23.9% and €1.6 million or 23.0%, respectively, primarily due to lower software and other information technology-related maintenance costs in Switzerland/Austria, the Czech Republic and Poland; and

- A decrease in facilities expenses of €1.1 million or 4.5% for the nine-month comparison, primarily due to lower rent and other facilities-related expenses in Switzerland/Austria and Hungary.

Segment OCF of our Reportable Segments

Segment OCF is the primary measure used by our chief operating decision maker to evaluate segment operating performance. For the definition of this performance measure and for a reconciliation of total Segment OCF to our loss before income taxes, see note 11 to our condensed consolidated financial statements.

	Three months ended September 30,		Increase (decrease)		Organic increase (decrease)
	2017	2016	€	%	%
	in millions				
Switzerland/Austria.....	€ 231.8	€ 245.0	€ (13.2)	(5.4)	(2.7)
Central and Eastern Europe.....	117.2	108.0	9.2	8.5	6.8
Other.....	(0.3)	(0.4)	0.1	25.0	N.M.
Total.....	€ 348.7	€ 352.6	€ (3.9)	(1.1)	0.2

	Nine months ended September 30,		Increase		Organic increase (decrease)
	2017	2016	€	%	%
	in millions				
Switzerland/Austria.....	€ 713.9	€ 712.3	€ 1.6	0.2	(0.2)
Central and Eastern Europe.....	333.1	309.9	23.2	7.5	6.0
Other.....	(1.0)	(1.1)	0.1	9.1	N.M.
Total.....	€ 1,046.0	€ 1,021.1	€ 24.9	2.4	1.7

N.M. — Not Meaningful.

Segment OCF Margin

The following table sets forth the Segment OCF margins (Segment OCF divided by revenue) of each of our reportable segments:

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
	%			
Switzerland/Austria.....	59.7	62.2	60.4	60.2
Central and Eastern Europe	44.9	43.9	42.9	42.5
Total, including other.....	53.7	55.1	53.4	53.4

For discussion of the factors contributing to the changes in the Segment OCF margins of our reportable segments, see the above analyses of the revenue and expenses of our reportable segments.

Discussion and Analysis of our Consolidated Operating Results

General

For more detailed explanations of the changes in our revenue and operating (including direct costs of services and other operating costs) and SG&A expenses, see the *Discussion and Analysis of our Reportable Segments* above.

Revenue

Our revenue by major category is set forth below:

	Three months ended September 30,		Increase (decrease)		Organic increase (decrease)
	2017	2016	€	%	%
	in millions				
Residential revenue:					
Residential cable revenue (a):					
Subscription revenue (b):					
Video.....	€ 291.6	€ 298.9	€ (7.3)	(2.4)	(1.2)
Broadband internet	175.9	177.0	(1.1)	(0.6)	0.7
Fixed-line telephony	47.8	52.6	(4.8)	(9.1)	(7.6)
Total subscription revenue	515.3	528.5	(13.2)	(2.5)	(1.2)
Non-subscription revenue	33.3	29.0	4.3	14.8	16.9
Total residential cable revenue	548.6	557.5	(8.9)	(1.6)	(0.3)
Residential mobile revenue (c):					
Subscription revenue (b).....	12.4	8.4	4.0	47.6	50.0
Non-subscription revenue	4.7	3.9	0.8	20.5	25.6
Total residential mobile revenue.....	17.1	12.3	4.8	39.0	42.3
Total residential revenue	565.7	569.8	(4.1)	(0.7)	0.6
B2B revenue (d):					
Subscription revenue	18.4	15.9	2.5	15.7	17.8
Non-subscription revenue	64.9	53.8	11.1	20.6	18.5
Total B2B revenue.....	83.3	69.7	13.6	19.5	18.5
Total	€ 649.0	€ 639.5	€ 9.5	1.5	2.6

	Nine months ended September 30,		Increase (decrease)		Organic increase (decrease)
	2017	2016	€	%	%
	in millions				
Residential revenue:					
Residential cable revenue (a):					
Subscription revenue (b):					
Video	€ 893.9	€ 893.4	€ 0.5	0.1	(0.5)
Broadband internet	534.6	532.0	2.6	0.5	0.1
Fixed-line telephony	149.4	160.8	(11.4)	(7.1)	(7.3)
Total subscription revenue.....	1,577.9	1,586.2	(8.3)	(0.5)	(1.0)
Non-subscription revenue.....	95.1	85.7	9.4	11.0	11.1
Total residential cable revenue.....	1,673.0	1,671.9	1.1	0.1	(0.4)
Residential mobile revenue (c):					
Subscription revenue (b).....	34.1	20.5	13.6	66.3	65.9
Non-subscription revenue.....	13.2	14.9	(1.7)	(11.4)	(12.1)
Total residential mobile revenue.....	47.3	35.4	11.9	33.6	33.1
Total residential revenue.....	1,720.3	1,707.3	13.0	0.8	0.3
B2B revenue (d):					
Subscription revenue.....	52.6	44.7	7.9	17.7	20.1
Non-subscription revenue	186.2	159.8	26.4	16.5	12.4
Total B2B revenue.....	238.8	204.5	34.3	16.8	13.9
Total.....	€ 1,959.1	€ 1,911.8	€ 47.3	2.5	1.8

- (a) Residential cable subscription revenue includes amounts received from subscribers for ongoing services. Residential cable non-subscription revenue includes, among other items, channel carriage fees, installation revenue, late fees and revenue from the sale of equipment.
- (b) Residential subscription revenue from subscribers who purchase bundled services at a discounted rate is generally allocated proportionally to each service based on the standalone price for each individual service. As a result, changes in the standalone pricing of our cable and mobile products or the composition of bundles can contribute to changes in our product revenue categories from period to period.
- (c) Residential mobile subscription revenue includes amounts received from subscribers for ongoing services. Residential mobile non-subscription revenue includes, among other items, interconnect revenue and revenue from sales of mobile handsets and other devices. Residential mobile interconnect revenue was €1.5 million and €1.3 million during the three months ended September 30, 2017 and 2016, respectively, and €4.4 million and €3.3 million during the nine months ended September 30, 2017 and 2016, respectively.
- (d) B2B subscription revenue represents revenue from SOHO subscribers. SOHO subscribers pay a premium price to receive expanded service levels along with video, broadband internet, fixed-line telephony or mobile services that are the same or similar to the mass marketed products offered to our residential subscribers. A portion of the increases in our B2B subscription revenue is attributable to the conversion of certain residential subscribers to SOHO subscribers. B2B non-subscription revenue includes revenue from business broadband internet, video, fixed-line telephony, mobile and data services offered to medium to large enterprises and, on a wholesale basis, to other operators.

Total revenue. Our consolidated revenue increased €9.5 million and €47.3 million during the three and nine months ended September 30, 2017, as compared to the corresponding periods in 2016. These increases include increases of €1.8 million and €5.4 million, respectively, attributable to the impact of acquisitions. On an organic basis, our consolidated revenue increased €16.8 million or 2.6% and €34.8 million or 1.8%, respectively.

Residential revenue. The details of the changes in our consolidated residential revenue for the three and nine months ended September 30, 2017, as compared to the corresponding periods in 2016, are as follows:

	Three-month period		Nine-month period	
			in millions	
Organic increase (decrease) in residential cable subscription revenue due to change in:				
Average number of RGUs.....	€	11.3	€	36.0
ARPU		(17.8)		(51.7)
Organic increase in residential cable non-subscription revenue		4.9		9.5
Total organic decrease in residential cable revenue		(1.6)		(6.2)
Organic increase in residential mobile subscription revenue		4.2		13.5
Organic decrease in residential mobile non-subscription revenue		1.0		(1.8)
Total organic increase (decrease) in residential revenue.....		3.6		5.5
Impact of acquisitions		0.4		1.1
Impact of FX		(8.1)		6.4
Total increase in residential revenue.....	€	(4.1)	€	13.0

On an organic basis, our consolidated residential cable subscription revenue decreased €6.5 million or 1.2% and €15.7 million or 1.0% during the three and nine months ended September 30, 2017, respectively, as compared to the corresponding periods in 2016. These decreases are attributable to the net effect of (i) decreases from fixed-line telephony services of €4.0 million or 7.6% and €11.8 million or 7.3%, respectively, attributable to the net effect of (a) lower ARPU from fixed-line telephony services and (b) increases in the average number of fixed-line telephony RGUs, (ii) decreases from video services of €3.7 million or 1.2% and €4.4 million or 0.5%, respectively, attributable to the net effect of (1) declines in the average number of video RGUs and (2) for the nine-month comparison, higher ARPU from video services and for the three-month comparison, lower ARPU from video services and (iii) increases from broadband internet services of €1.2 million or 0.7% and €0.5 million or 0.1%, respectively, attributable to the net effect of (I) increases in the average number of broadband internet RGUs and (II) lower ARPU from broadband internet services.

On an organic basis, our consolidated residential cable non-subscription revenue increased €4.9 million or 16.9% and €9.5 million or 11.1% during the three and nine months ended September 30, 2017, respectively, as compared to the corresponding periods in 2016. These increases are primarily attributable to the net effect of (i) increases in revenue from the distribution of our Swiss sports channel, (ii) for the nine-month comparison, an increase of €5.8 million in Switzerland due to the release of unclaimed customer credits, (iii) decreases in installation revenue, primarily due to decreases in Switzerland and (iv) decreases in equipment sales, primarily due to decreases in Switzerland.

On an organic basis, our consolidated residential mobile subscription revenue increased €4.2 million or 50.0% and €13.5 million or 65.9% during the three and nine months ended September 30, 2017, respectively, as compared to the corresponding periods in 2016. These increases are primarily due to increases in Switzerland, Austria and Hungary.

On an organic basis, our consolidated residential mobile non-subscription revenue increased (decreased) €1.0 million or 25.6% and (€1.8 million) or (12.1%) during the three and nine months ended September 30, 2017, respectively, as compared to the corresponding periods in 2016. These changes are primarily due to the net effect of (i) for the nine-month comparison, a decrease in Switzerland and for the three-month comparison, an increase in Switzerland and (ii) increases in Austria.

B2B revenue. On an organic basis, our consolidated B2B subscription revenue increased €2.8 million or 17.8% and €8.8 million or 20.1% during the three and nine months ended September 30, 2017, respectively, as compared to the corresponding periods in 2016. These increases are primarily due to increases in SOHO in Hungary, Poland, Switzerland and Austria.

On an organic basis, our consolidated B2B non-subscription revenue increased €10.4 million or 18.5% and €20.5 million or 12.4% during the three and nine months ended September 30, 2017, respectively, as compared to the corresponding periods in 2016. These increases are primarily due to increases in the Czech Republic, Switzerland, Poland, Hungary and Romania.

For additional information concerning the changes in our residential and B2B revenue, see *Discussion and Analysis of our Reportable Segments* above. For information regarding the competitive environment in certain of our markets, see *Overview and Discussion and Analysis of our Reportable Segments* above.

Programming and other direct costs of services

Our programming and other direct costs of services increased €12.9 million and €30.6 million during the three and nine months ended September 30, 2017, respectively, as compared to the corresponding periods in 2016. These increases include increases of €0.1 million and €0.4 million, respectively, attributable to the impact of acquisitions. On an organic basis, our programming and other direct costs of services increased €13.9 million or 12.3% and €28.9 million or 8.6%, during the three and nine months ended September 30, 2017, respectively, as compared to the corresponding periods in 2016. For additional information regarding the changes in our programming and other direct costs of services, see *Discussion and Analysis of our Reportable Segments — Programming and Other Direct Costs of Services of our Reportable Segments* above.

Other operating expenses

Our other operating expenses decreased €2.2 million and €7.1 million during the three and nine months ended September 30, 2017, respectively, as compared to the corresponding periods in 2016. These decreases include increases of €0.6 million and €1.7 million, respectively, attributable to the impact of an acquisition. On an organic basis, our other operating expenses decreased €1.4 million or 1.5% and €9.8 million or 3.4%, respectively, during the three and nine months ended September 30, 2017, as compared to the corresponding periods in 2016. For additional information regarding the changes in our other operating expenses, see *Discussion and Analysis of our Reportable Segments — Other Operating Expenses of our Reportable Segments* above.

SG&A expenses

Our SG&A expenses increased (decreased) €0.2 million and (€5.2 million) during the three and nine months ended September 30, 2017, respectively, as compared to the corresponding periods in 2016. These changes include €0.2 million and €0.6 million, respectively, attributable to the impact of an acquisition. Our SG&A expenses include share-based compensation expense, which decreased €2.5 million and €4.1 million during the three and nine months ended September 30, 2017, respectively. Excluding share-based compensation, on an organic basis our SG&A expenses increased (decreased) €3.4 million or 4.2% and (€2.5 million) or (0.9%) during the three and nine months ended September 30, 2017, respectively, as compared to the corresponding periods in 2016. For additional information regarding the changes in our SG&A expenses, see *Discussion and Analysis of our Reportable Segments — SG&A Expenses of our Reportable Segments* above.

Related-party fees and allocations, net

We recorded related-party fees and allocations, net, of €90.6 million and €93.6 million during the three months ended September 30, 2017 and 2016, respectively, and €286.8 million and €238.8 million during the nine months ended September 30, 2017 and 2016, respectively. These amounts represent fees charged to UPC Holding that originate with Liberty Global and certain other Liberty Global subsidiaries, and include charges for management, finance, legal, technology and other corporate and administrative services provided to our subsidiaries. For additional information, see note 9 to our condensed consolidated financial statements.

Depreciation and amortization expense

Our depreciation and amortization expense increased €4.6 million and €19.8 million during the three and nine months ended September 30, 2017, respectively, as compared to the corresponding periods in 2016. Excluding the effects of FX, depreciation and amortization expense increased €6.3 million or 4.5% and €18.0 million or 4.2%, respectively, primarily due to the net effect of (i) an increase associated with property and equipment additions related to the installation of customer premises equipment, the expansion and upgrade of our networks and other capital initiatives and (ii) a decrease associated with certain assets becoming fully depreciated, primarily in Switzerland, Poland and Austria.

Impairment, restructuring and other operating items, net

Our impairment, restructuring and other operating items, net, were charges of €1.2 million and €0.9 million during the three months ended September 30, 2017 and 2016, respectively, and €3.0 million and €3.8 million during the nine months ended September 30, 2017 and 2016, respectively. The 2017 amounts are primarily related to (i) employee severance and termination costs related to certain reorganization activities in Switzerland/Austria and (ii) direct acquisition costs in Poland. The 2016 amounts are primarily related to restructuring charges in Hungary, the Czech Republic and Slovakia.

Interest expense — third-party

Our third-party interest expense decreased €8.9 million and €19.7 million during the three and nine months ended September 30, 2017, respectively, as compared to the corresponding periods in 2016. These decreases are primarily attributable to the net effect of (i) a lower weighted average interest rate and (ii) a higher average outstanding third-party debt balance. We have completed various refinancing transactions that have lowered average interest rates and extended debt maturities. For additional information regarding our outstanding indebtedness, see note 7 to our condensed consolidated financial statements.

It is possible that the interest rates on (i) any new borrowings could be higher than the current interest rates on our existing indebtedness and (ii) our variable-rate indebtedness could increase in future periods. As further discussed in note 4 to our condensed consolidated financial statements, we use derivative instruments to manage our interest rate risks.

Interest expense — related-party

Our related-party interest expense primarily relates to the interest expense on the Shareholder Loan. Our related-party interest expense increased €18.3 million and €47.8 million during the three and nine months ended September 30, 2017, respectively, as compared to the corresponding periods in 2016. These increases are primarily due to an increase in the average outstanding balance of the Shareholder Loan. For additional information, see notes 7 and 9 to our condensed consolidated financial statements.

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
	in millions			
Cross-currency and interest rate derivative contracts (a)	€ 87.8	€ (100.6)	€ (104.4)	€ (220.9)
Foreign currency forward contracts	5.1	(0.7)	5.8	(2.3)
Other	(0.1)	(0.3)	0.3	(0.8)
Total	<u>€ 92.8</u>	<u>€ (101.6)</u>	<u>€ (98.3)</u>	<u>€ (224.0)</u>

- (a) The gain during the 2017 three-month period is primarily attributable to the net effect of (i) gains associated with a decrease in the value of the Swiss franc and Polish zloty relative to the euro, (ii) losses associated with a decrease in the value of the U.S. dollar relative to the euro, (iii) gains associated with increases in market interest rates in the Czech koruna and Swiss franc markets and (iv) gains associated with a decrease in the value of the Swiss franc relative to the U.S. dollar. The loss during the 2017 nine-month period is primarily attributable to the net effect of (a) losses associated with a decrease in the value of the U.S. dollar relative to the euro, (b) gains associated with a decrease in the value of the Swiss franc relative to the euro, (c) losses associated with an increase in the value of the Swiss franc relative to the U.S. dollar, (d) losses associated with increases in the values of the Polish zloty and the Czech koruna relative to the euro, (e) gains associated with increases in the market interest rates in the Swiss franc and Czech koruna markets and (f) losses associated with an increase in the market interest rates in the euro market. In addition, the gain (loss) during the 2017 periods includes a net gain (loss) of (€4.5 million) and €6.2 million, respectively, resulting from changes in our credit risk valuation adjustments. The loss during the 2016 three-month period is primarily attributable to the net effect of (1) gains associated with an increase in market interest rates in the Swiss franc market, (2) losses associated with a decrease in the value of the U.S. dollar relative to the euro, (3) gains associated with a decrease in the value of the Swiss franc relative to the euro, (4) losses associated with increases in market interest rates in the U.S. dollar market and (5) losses associated with an increase in the value of the Polish zloty relative to the euro. The loss during the 2016 nine-month period is primarily attributable to the net effect of (I) gains associated with decreases in market interest rates in the U.S. dollar market, (II) losses associated with a decrease in the value of the U.S. dollar relative to the euro, (III) losses associated with an increase in the value of the Swiss franc relative to the U.S. dollar and (IV) gains associated with a decrease in the value of the Swiss franc relative to the euro. In addition,

the losses during the 2016 periods include net gains of €0.3 million and €19.0 million, respectively, resulting from changes in our credit risk valuation adjustments.

For additional information regarding our derivative instruments, see notes 4 and 5 to our condensed consolidated financial statements.

Foreign currency transaction gains (losses), net

Our foreign currency transaction gains or losses primarily result from the remeasurement of monetary assets and liabilities that are denominated in currencies other than the underlying functional currency of the applicable entity. Unrealized foreign currency transaction gains or losses are computed based on period-end exchange rates and are non-cash in nature until such time as the amounts are settled. The details of our foreign currency transaction gains (losses), net, are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
	in millions			
U.S. dollar-denominated debt issued by euro functional currency entities	€ 66.3	€ 8.4	€ 205.2	€ 25.0
Intercompany payables and receivables denominated in a currency other than the entity's functional currency (a)	(90.0)	58.9	41.0	97.1
Cash and restricted cash denominated in a currency other than the entity's functional currency	0.6	—	0.8	1.2
Other	1.6	(1.6)	1.4	1.6
Total	€ (21.5)	€ 65.7	€ 248.4	€ 124.9

- (a) Amounts primarily relate to (i) loans between certain of our non-operating and operating subsidiaries, which generally are denominated in the currency of the applicable operating subsidiary, and (ii) loans between certain of our non-operating subsidiaries in Europe.

Losses on debt modification and extinguishment, net

We recognized losses on debt modification and extinguishment, net, of €32.7 million and €43.5 million during the three months ended September 30, 2017 and 2016, respectively, and €45.9 million and €43.5 million during the nine months ended September 30, 2017 and 2016, respectively. The loss during the nine months ended September 30, 2017 is attributable to (i) the payment of €26.6 million of redemption premiums during the third quarter and (ii) the write-off of €19.3 million of unamortized discounts and deferred financing costs (including €6.1 million during the third quarter). The loss during the 2016 periods is attributable to (a) the payment of €30.5 million of redemption premiums and (b) the write-off of €13.0 million of unamortized discounts and deferred financing costs.

Income tax expense

We recognized income tax expense of €3.6 million and €13.7 million during the three months ended September 30, 2017 and 2016, respectively.

The income tax expense during the three months ended September 30, 2017 differs from the expected income tax benefit of €20.0 million (based on the Dutch 25.0% income tax rate) primarily due to the negative impact of a net increase in valuation allowances.

The income tax expense during the three months ended September 30, 2016 differs from the expected income tax benefit of €45.2 million (based on the Dutch 25.0% income tax rate) primarily due to the negative impact of (i) a net increase in valuation allowances and (ii) certain permanent differences between the financial and tax accounting treatment of interest and other items.

We recognized income tax expense of €37.3 million and €45.9 million during the nine months ended September 30, 2017 and 2016, respectively.

The income tax expense during the nine months ended September 30, 2017 and 2016 differs from the expected income tax benefit of €68.7 million and €112.3 million, respectively, (based on the Dutch 25.0% income tax rate) primarily due to the impact of (i) a net increase in valuation allowances and (ii) certain permanent differences between the financial and tax accounting treatment of interest and other items.

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

Net loss

During the three months ended September 30, 2017 and 2016, we reported net losses of €83.6 million and €194.4 million, respectively, including (i) operating income of €113.8 million and €117.1 million, respectively, (ii) non-operating expense of €193.8 million and €297.8 million, respectively, and (iii) income tax expense of €3.6 million and €13.7 million, respectively.

During the nine months ended September 30, 2017 and 2016, we reported net losses of €312.1 million and €495.0 million, respectively, including (i) operating income of €321.3 million and €359.3 million, respectively, (ii) non-operating expense of €596.1 million and €808.4 million, respectively, and (iii) income tax expense of €37.3 million and €45.9 million, respectively.

Gains or losses associated with (i) changes in the fair values of derivative instruments and (ii) 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 earnings is largely dependent on our ability to increase our aggregate Segment OCF to a level that more than offsets the aggregate amount of our (a) share-based compensation expense, (b) related-party fees and allocations, net, (c) depreciation and amortization, (d) impairment, restructuring and other operating items, (e) interest expense, (f) other non-operating expenses and (g) income tax expenses.

Subject to the limitations included in our various debt instruments, we expect that Liberty Global will cause our company to maintain our debt at current levels relative to our Covenant EBITDA. As a result, we expect that we will continue to report significant levels of interest expense for the foreseeable future. For information concerning our expectations with respect to trends that may affect certain aspects of our operating results in future periods, see the discussion under *Overview* above. For information concerning the reasons for changes in specific line items in our condensed consolidated statements of operations, see the discussion under *Discussion and Analysis of our Reportable Segments* and *Discussion and Analysis of our Consolidated Operating Results* above.

Net earnings attributable to noncontrolling interests

Our net earnings attributable to noncontrolling interests decreased €0.3 million and €1.8 million during the three and nine months ended September 30, 2017, respectively, as compared to the corresponding periods in 2016. These decreases are largely attributable to the results of operations of Austria.

Material Changes in Financial Condition

Sources and Uses of Cash

As a holding company, UPC Holding's primary assets are its investments in consolidated subsidiaries. UPC Holding's primary subsidiary is UPC Broadband Holding, which owns all of the operating subsidiaries that are consolidated by UPC Holding. Although our consolidated operating subsidiaries generate cash from operating activities, the terms of the instruments governing the indebtedness of UPC Broadband Holding may restrict our ability to access the liquidity of these subsidiaries. These subsidiaries accounted for substantially all of our €17.1 million of consolidated cash and cash equivalents at September 30, 2017. In addition, our ability to access the liquidity of these and other subsidiaries may be limited by tax and legal considerations, the presence of noncontrolling interests and other factors.

Liquidity of UPC Holding

As UPC Holding typically does not hold significant amounts of cash and cash equivalents at the parent level, UPC Holding's primary source of liquidity is proceeds received from UPC Broadband Holding (and indirectly from UPC Broadband Holding's subsidiaries) in the form of loans or distributions. As noted above, various factors may limit the ability of UPC Holding's direct and indirect subsidiaries to loan or distribute cash to UPC Holding. From time to time, UPC Holding may also supplement its sources of liquidity with net proceeds received in connection with the issuance of debt instruments and/or loans or contributions from LGE Financing (and ultimately Liberty Global and other Liberty Global subsidiaries). No assurance can be given that any external funding would be available on favorable terms, or at all.

UPC Holding's corporate liquidity requirements include (i) corporate general and administrative expenses and (ii) interest payments on the UPC Holding Senior Notes. From time to time, UPC Holding may also require cash in connection with (a) the repayment of third-party and related-party debt (including the repurchase or exchange of outstanding debt securities in the open market or privately-negotiated transactions and net repayments to LGE Financing pursuant to the Shareholder Loan, as described in note 9 to our condensed consolidated financial statements), (b) the funding of loans or distributions to LGE Financing (and ultimately Liberty Global and other Liberty Global subsidiaries), (c) the satisfaction of contingent liabilities, (d) acquisitions, (e) other investment opportunities or (f) income tax payments.

Liquidity of Subsidiaries

In addition to cash and cash equivalents, the primary sources of liquidity of our subsidiaries are cash provided by operations and, in the case of UPC Broadband Holding, borrowing availability under the UPC Holding Bank Facility. For the details of the borrowing availability under the UPC Holding Bank Facility at September 30, 2017, see note 7 to our condensed consolidated financial statements. Our subsidiaries' liquidity generally is used to fund property and equipment additions, debt service requirements and payments required by UPC Holding's derivative instruments. From time to time, our subsidiaries may also require liquidity in connection with (i) acquisitions and other investment opportunities, (ii) loans to UPC Holding or other Liberty Global subsidiaries, (iii) capital distributions to UPC Holding or (iv) the satisfaction of contingencies. No assurance can be given that any external funding would be available to our subsidiaries on favorable terms, or at all.

For additional information regarding our consolidated cash flows, see the discussion under *Condensed Consolidated Statements of Cash Flows* below.

Capitalization

When it is cost effective, we generally seek to match the denomination of the borrowings of our subsidiaries with the functional currency of the operations that are supporting the respective borrowings. As further discussed in note 4 to our condensed consolidated financial statements, we also use derivative instruments to mitigate foreign currency and interest rate risk associated with our debt instruments.

Our ability to service or refinance our debt and to maintain compliance with the leverage covenants in the credit agreements and indentures of UPC Holding and UPC Broadband Holding is dependent primarily on our ability to maintain or increase the Covenant EBITDA of our operating subsidiaries and to achieve adequate returns on our property and equipment additions and acquisitions. In addition, our ability to obtain additional debt financing is limited by incurrence-based leverage covenants contained in UPC Holding and UPC Broadband Holding's debt instruments. For example, if the Covenant EBITDA of UPC Broadband Holding were to decline, our ability to obtain additional debt could be limited. No assurance can be given that we would have sufficient sources of liquidity, or that any external funding would be available on favorable terms, or at all, to fund any such required repayment. At September 30, 2017, UPC Holding and UPC Broadband Holding were in compliance with their respective

debt covenants. In addition, we do not anticipate any instances of non-compliance with respect to any of our debt covenants that would have a material adverse impact on our liquidity during the next 12 months.

At September 30, 2017, the outstanding principal amount of our consolidated third-party debt, together with our capital lease obligations, aggregated €6,262.2 million, including €791.4 million that is classified as current in our condensed consolidated balance sheet and €5,404.7 million that is not due until 2023 or thereafter. For additional information regarding our debt maturities, see notes 7 and 12 to our condensed consolidated financial statements.

Notwithstanding our negative working capital position at September 30, 2017, we believe that we have sufficient resources to repay or refinance the current portion of our debt and capital lease obligations and to fund our foreseeable liquidity requirements during the next 12 months. However, as our maturing debt grows in later years, we anticipate that we will seek to refinance or otherwise extend our debt maturities. No assurance can be given that we will be able to complete these refinancing transactions or otherwise extend our debt maturities. In this regard, it is not possible to predict how political and economic conditions, sovereign debt concerns or any adverse regulatory developments could impact the credit markets we access and, accordingly, our future liquidity and financial position. However, (i) the financial failure of any of our counterparties could (a) reduce amounts available under committed credit facilities and (b) adversely impact our ability to access cash deposited with any failed financial institution and (ii) tightening of the credit markets could adversely impact our ability to access debt financing on favorable terms, or at all. In addition, sustained or increased competition, particularly in combination with adverse economic or regulatory developments, could have an unfavorable impact on our cash flows and liquidity.

With the exception of the UPC Holding Senior Notes, all of our consolidated third-party debt and capital lease obligations had been borrowed or incurred by our subsidiaries at September 30, 2017.

For additional information regarding our debt and capital lease obligations, see note 7 to our condensed consolidated financial statements.

Condensed Consolidated Statements of Cash Flows

General. Our cash flows are subject to significant variations due to FX.

Summary. Our condensed consolidated statements of cash flows for the nine months ended September 30, 2017 and 2016 are summarized as follows:

	Nine months ended September 30,		Change
	2017	2016	
	in millions		
Net cash provided by operating activities.....	€ 418.0	€ 466.9	€ (48.9)
Net cash used by investing activities	(111.6)	(126.7)	15.1
Net cash used by financing activities.....	(315.6)	(456.9)	141.3
Effect of exchange rate changes on cash	(0.5)	1.3	(1.8)
Net decrease in cash and cash equivalents.....	€ (9.7)	€ (115.4)	€ 105.7

Operating Activities. The decrease in net cash provided by our operating activities is primarily attributable to the net effect of (i) an increase in cash provided due to lower cash payments for third-party interest, (ii) a decrease in cash provided by our Segment OCF and related working capital changes, (iii) a decrease in cash provided due to higher payments of taxes and (iv) a decrease in cash provided due to higher cash payments related to derivative instruments.

Investing Activities. The decrease in net cash used by our investing activities is primarily attributable to a decrease in cash used of €23.6 million associated with lower capital expenditures. Capital expenditures decreased from €131.6 million during the first nine months of 2016 to €108.0 million during the first nine months of 2017 due to the net effect of (a) a decrease in the local currency capital expenditures of our subsidiaries, including a decrease associated with higher capital-related vendor financing and an increase associated with related working capital movements, and (b) an increase resulting from FX.

The capital expenditures that we report in our condensed consolidated statements of cash flows do not include (i) amounts that are financed under capital-related vendor financing or capital lease arrangements or (ii) purchased assets transferred to our company by another entity under the common control of Liberty Global in exchange for non-cash increases to the Shareholder

Loan or non-cash contributions from our parent (non-cash related-party capital additions). Instead, these amounts are reflected as non-cash additions to our property and equipment when the underlying assets are delivered, and in the case of capital-related vendor financing and capital lease arrangements and non-cash related-party capital additions that are settled through increases to the Shareholder Loan, as repayments of debt when the principal is repaid. In this discussion, we refer to (a) our capital expenditures as reported in our condensed consolidated statements of cash flows, which exclude non-cash related-party capital additions and amounts financed under capital-related vendor financing or capital lease arrangements, and (b) our total property and equipment additions, which include our capital expenditures on an accrual basis, non-cash related-party capital additions and amounts financed under capital-related vendor financing or capital lease arrangements. For additional information, see notes 6 and 7 to our condensed consolidated financial statements. For further details on property and equipment additions, including a reconciliation of our consolidated property and equipment additions to our consolidated capital expenditures as reported in our condensed consolidated statements of cash flows, see note 11 to our condensed consolidated financial statements.

Our segment property and equipment additions increased during the nine months ended September 30, 2017 as compared to the corresponding period in 2016, primarily due (i) an increase in expenditures for new build and upgrade projects, (ii) an increase in expenditures for the purchase and installation of customer premises equipment and (iii) an increase in expenditures to maintain and support areas such as, network improvements, property and facilities and information technology systems.

Financing Activities. The decrease in net cash used by our financing activities is primarily attributable to the net effect of (i) an increase in cash used of €600.0 million related to an increase in cash collateral, due to cash held in escrow at June 30, 2017 in connection with a refinancing transaction, as further described in note 7 to our condensed consolidated financial statements, (ii) a decrease in cash used of €511.2 million due to higher net borrowings of related-party debt, (iii) a decrease in cash used of €498.5 million due to higher net borrowings of third-party debt, (iv) an increase in cash used of €152.0 million related to VAT paid on behalf of a related party and (v) an increase in cash used of €111.4 million due to higher cash payments related to derivative instruments.

Contractual Commitments

The euro equivalents of our commitments as of September 30, 2017 are presented below:

	Payments due during:							Total
	Remainder of 2017	2018	2019	2020	2021	2022	Thereafter	
	in millions							
Debt (excluding interest):								
Third-party	€ 256.8	€ 524.6	€ 1.9	€ 4.4	€ 9.6	€ 3.9	€ 5,379.8	€ 6,181.0
Related-party	—	—	—	—	—	—	6,232.5	6,232.5
Capital leases (excluding interest)	2.4	10.8	10.7	11.1	11.9	9.4	24.9	81.2
Programming commitments	36.0	125.9	114.9	115.0	61.9	27.7	—	481.4
Purchase commitments	84.6	80.5	45.9	43.1	12.7	11.7	43.3	321.8
Network and connectivity commitments	35.5	54.6	31.5	18.3	12.4	7.1	20.1	179.5
Operating leases	9.0	30.4	25.5	21.3	17.2	12.9	66.3	182.6
Other commitments	3.0	8.0	6.9	6.8	6.6	6.6	6.5	44.4
Total (a)	<u>€ 427.3</u>	<u>€ 834.8</u>	<u>€ 237.3</u>	<u>€ 220.0</u>	<u>€ 132.3</u>	<u>€ 79.3</u>	<u>€ 11,773.4</u>	<u>€ 13,704.4</u>
Projected cash interest payments on third-party debt and capital lease obligations (b)	<u>€ 29.3</u>	<u>€ 282.8</u>	<u>€ 261.8</u>	<u>€ 261.0</u>	<u>€ 260.4</u>	<u>€ 248.8</u>	<u>€ 756.6</u>	<u>€ 2,100.7</u>

- (a) The commitments included in this table do not reflect any liabilities that are included in our September 30, 2017 condensed consolidated balance sheet other than debt and capital lease obligations. Our liability for uncertain tax positions in the various jurisdictions in which we operate (€12.3 million at September 30, 2017) has been excluded from the table as the amount and timing of any related payments are not subject to reasonable estimation.

- (b) Amounts are based on interest rates, interest payment dates, commitment fees and contractual maturities in effect as of September 30, 2017. These amounts are presented for illustrative purposes only and will likely differ from the actual cash payments required in future periods. In addition, the amounts presented do not include the impact of our interest rate derivative contracts, deferred financing costs, original issue premiums or discounts. Amounts associated with related-party debt are excluded from the table.

For information concerning our debt and capital lease obligations, see note 7 to our condensed consolidated financial statements. For information concerning our commitments, see note 10 to our condensed consolidated financial statements.

In addition to the commitments set forth in the table above, we have significant commitments under (i) derivative instruments and (ii) defined benefit plans and similar agreements, pursuant to which we expect to make payments in future periods. For information regarding projected cash flows associated with these derivative instruments, see *Projected Cash Flows Associated with Derivative Instruments* below. For information regarding our derivative instruments, including the net cash paid or received in connection with these instruments during the nine months ended September 30, 2017 and 2016, see note 4 to our condensed consolidated financial statements.

Projected Cash Flows Associated with Derivative Instruments

The following table provides information regarding the projected cash flows associated with our derivative instruments. The euro equivalents presented below are based on interest rates and exchange rates that were in effect as of September 30, 2017. These amounts are presented for illustrative purposes only and will likely differ from the actual cash payments required in future periods. For additional information regarding our derivative instruments, including our counterparty credit risk, see note 4 to our condensed consolidated financial statements.

		Payments (receipts) due during:								
		Remainder of 2017	2018	2019	2020	2021	2022	Thereafter	Total	
		in millions								
Projected derivative cash payments (receipts), net:										
Interest-related (a)	€	(15.3)	€ 32.1	€ 57.4	€ 13.5	€ 17.8	€ (15.0)	€ (29.6)	€	60.9
Principal-related (b)		—	—	—	76.6	(56.7)	(91.6)	(120.6)		(192.3)
Other		(1.1)	(1.8)	—	—	—	—	—		(2.9)
Total	€	(16.4)	€ 30.3	€ 57.4	€ 90.1	€ (38.9)	€ (106.6)	€ (150.2)	€	(134.3)

- (a) Includes (i) the cash flows of our interest rate collar and swap contracts and (ii) the interest-related cash flows of our cross-currency, interest rate and basis swap contracts.
- (b) Includes the principal-related cash flows of our cross-currency swap contracts.