Condensed Consolidated Financial Statements
March 31, 2017

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UNITYMEDIA GMBH

TABLE OF CONTENTS

	Page Number
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	
Condensed Consolidated Balance Sheets as of March 31, 2017 and December 31, 2016 (unaudited)	1
Condensed Consolidated Statements of Operations for the Three Months Ended March 31, 2017 and 2016 (unaudited)	3
Condensed Consolidated Statements of Changes in Owner's Deficit for the Three Months Ended March 31, 2017 and 2016 (unaudited)	4
Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2017 and 2016 (unaudited)	5
Notes to Condensed Consolidated Financial Statements (unaudited)	6
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	26

CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)

	March 31, 2017	December 31, 2016
	in millions	
ASSETS		
Current assets:		
Cash and cash equivalents	€ 1.8	€ 2.8
Trade receivables and unbilled revenue, net	121.1	93.2
Loan receivable – related-party (note 10)	1,492.6	1,311.0
Other current assets (notes 4 and 10)	68.7	58.1
Total current assets	1,684.2	1,465.1
Property and equipment, net (note 6)	3,163.1	3,177.4
Goodwill	2,841.7	2,841.7
Intangible assets subject to amortization, net (note 6)	512.0	549.9
Loan receivable – related-party (note 10)	513.0	513.0
Derivative instruments (note 4)	365.2	380.2
Investment in associate (note 10)	—	61.0
Other noncurrent assets (note 10)	17.9	20.2
Total noncurrent assets	7,412.9	7,543.4
Total assets	€ 9,097.1	€ 9,008.5

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

CONDENSED CONSOLIDATED BALANCE SHEETS – (Continued)
(unaudited)

	March 31, 2017	December 31, 2016
	in millions	
LIABILITIES AND OWNER'S DEFICIT		
Current liabilities:		
Accounts payable	€ 63.9	€ 33.2
Accrued liabilities	218.3	261.7
Accounts payable and accrued liabilities – related-party (note 10)	144.5	83.6
Deferred revenue and advance payments from subscribers and others	242.7	94.8
Current portion of debt and finance lease obligations:		
Third-party (note 8)	328.4	366.2
Related-party (note 10)	—	1.5
Corporate income taxes payable	115.8	104.4
Current provisions (note 7)	81.2	83.9
Other current liabilities	12.3	24.8
Total current liabilities	1,207.1	1,054.1
Noncurrent debt and finance lease obligations:		
Third-party (note 8)	7,317.1	7,347.7
Related-party (note 10)	311.2	363.2
Deferred tax liabilities	421.4	421.9
Noncurrent provisions (note 7)	44.6	43.4
Other noncurrent liabilities	54.7	47.8
Total noncurrent liabilities	8,149.0	8,224.0
Total liabilities	9,356.1	9,278.1
Commitments and contingencies (notes 4, 8, 9 and 11)		
Owner's deficit:		
Share capital	—	—
Additional paid-in capital	974.0	970.9
Accumulated deficit	(1,225.5)	(1,233.0)
Accumulated other comprehensive loss, net of taxes	(7.5)	(7.5)
Total owner's deficit	(259.0)	(269.6)
Total liabilities and owner's deficit	€ 9,097.1	€ 9,008.5

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

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	Three months ended March 31, 2017	Three months ended March 31, 2016
	in millions	
Revenue (note 3)	€ 587.8	€ 555.3
Operating costs and expenses:		
Operating (other than depreciation and amortization) (**OpEx**) (note 10)	157.2	148.0
Selling, general and administrative (other than depreciation and amortization) (including share-based compensation) (**SG&A**) (note 10)	70.0	65.2
Related-party fees and allocations, net (note 10)	57.2	36.8
Impairment, restructuring and other operating items, net	9.9	(1.1)
	294.3	248.9
Earnings before interest, taxes, depreciation and amortization (**EBITDA**)	293.5	306.4
Depreciation and amortization	212.8	213.4
Earnings before interest and taxes (**EBIT**)	80.7	93.0
Financial and other income (expense):		
Interest expense:		
Third-party	(94.6)	(90.9)
Related-party (note 10)	(6.2)	(5.7)
Foreign currency transaction gains, net	33.4	105.0
Realized and unrealized gains (losses) on derivative instruments, net (note 4)	2.5	(103.3)
Losses on debt modification and extinguishment, net (note 8)	—	(3.9)
Other income, net (notes 5, 7, 8 and 10)	10.5	8.6
Net financial and other expense	(54.4)	(90.2)
Earnings before income taxes	26.3	2.8
Income tax expense (note 9)	(18.8)	(9.9)
Net earnings (loss) / comprehensive earnings (loss) (a)	€ 7.5	€ (7.1)
Further details of OpEx and SG&A:		
Staff-related costs (excluding restructuring charges)	€ 57.7	€ 49.8
Direct costs (programming and copyright, interconnect and other)	54.7	49.5
Network operating costs	45.5	48.6
Sales and marketing costs	24.3	26.4
Outsourced labor and professional services	23.4	18.4
Other indirect costs	21.6	20.5
	€ 227.2	€ 213.2
Further details of impairment, restructuring and other operating items, net:		
Restructuring charges	€ 1.0	€ —
Gain on disposal of assets	(0.9)	(0.9)
Other	9.8	(0.2)
	€ 9.9	€ (1.1)

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

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

CONDENSED CONSOLIDATED STATEMENTS OF CHANGES IN OWNER'S DEFICIT (unaudited)

	Additional paid-in capital	Accumulated deficit	Accumulated other comprehensive loss, net of taxes	Total owner's deficit
	in millions			
Balance at January 1, 2016	€ 955.3	€ (1,142.6)	€ (5.7)	€ (193.0)
Net loss	—	(7.1)	—	(7.1)
Share-based compensation (note 10)	1.7	—	—	1.7
Capital charge in connection with the exercise of Liberty Global share-based incentive awards (note 10)	(1.1)	—	—	(1.1)
Deemed contribution of technology-related services (note 10)	0.8	—	—	0.8
Balance at March 31, 2016	€ 956.7	€ (1,149.7)	€ (5.7)	€ (198.7)
Balance at January 1, 2017	€ 970.9	€ (1,233.0)	€ (7.5)	€ (269.6)
Net earnings	—	7.5	—	7.5
Share-based compensation (note 10)	3.7	—	—	3.7
Capital charge in connection with the exercise of Liberty Global share-based incentive awards (note 10)	(0.6)	—	—	(0.6)
Balance at March 31, 2017	€ 974.0	€ (1,225.5)	€ (7.5)	€ (259.0)

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Three months ended March 31, 2017	Three months ended March 31, 2016
	in millions	
Cash flows from operating activities:		
Net earnings (loss)	€ 7.5	€ (7.1)
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:		
Share-based compensation expense	3.7	1.7
Impairment, restructuring and other operating items, net	9.9	(1.1)
Related-party fees and allocations, net	57.2	36.8
Depreciation and amortization	212.8	213.4
Amortization of deferred financing costs and non-cash interest accretion	1.5	1.6
Related-party interest expense	6.2	5.7
Foreign currency transaction gains, net	(33.4)	(105.0)
Realized and unrealized (gains) losses on derivative instruments, net	(2.5)	103.3
Losses on debt modification and extinguishment, net	—	3.9
Deferred tax benefit	(0.5)	(9.3)
Changes in operating assets and liabilities	51.3	39.2
Net cash provided by operating activities	313.7	283.1
Cash flows from investing activities:		
Advances to parent	(166.7)	(149.0)
Capital expenditures	(122.0)	(89.7)
Other investing activities	1.2	0.9
Net cash used by investing activities	(287.5)	(237.8)
Cash flows from financing activities:		
Repayments of third-party debt and finance lease obligations	(55.9)	(146.3)
Borrowings of third-party debt	29.0	2.1
Change in cash collateral	—	108.2
Related-party repayments, net	—	(4.6)
Payment of financing costs and debt premiums	(0.1)	(4.0)
Other financing activities, net	(0.2)	(0.2)
Net cash used by financing activities	(27.2)	(44.8)
Net increase (decrease) in cash and cash equivalents	(1.0)	0.5
Cash and cash equivalents:		
Beginning of period	2.8	2.0
End of period	€ 1.8	€ 2.5
The following amounts are included in net cash provided by operating activities:		
Cash paid for interest (excluding payments related to derivative instruments)	€ 162.7	€ 164.4
Net cash paid (refunded) for taxes	€ 2.6	€ (0.2)

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

(1) Basis of Presentation

Unitymedia GmbH (**Unitymedia**) is a wholly-owned subsidiary of UPC Germany Holding B.V. (**UPC Germany**), which in turn is an indirect subsidiary of Liberty Global plc (**Liberty Global**). In the following text, the terms "Unitymedia," "we," "our," "our company" and "us" may refer, as the context requires, to Unitymedia, or collectively to Unitymedia and its subsidiaries.

Unitymedia, which operates in the German federal states of North Rhine-Westphalia, Hesse and Baden-Württemberg, provides video, broadband internet, fixed-line telephony and mobile services to residential customers and businesses.

Unitymedia is registered in Cologne, Germany with the commercial register of the local court of Cologne under HRB 68501.

Our unaudited condensed consolidated financial statements have been prepared in accordance with International Accounting Standard (**IAS**) 34 and do not include all of the information required by International Financial Reporting Standards (**IFRS**) as adopted by the European Union (**E.U.**) (**E.U.-IFRS**) for full annual financial statements. In the opinion of management, these financial statements reflect all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the results of operations for the interim periods presented. The results of operations for any interim period are not necessarily indicative of results for the full year. These unaudited condensed consolidated financial statements should be read in conjunction with our 2016 consolidated financial statements and notes thereto included in our 2016 annual report, which include a description of the significant accounting policies followed in these financial statements.

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

The Unitymedia Notes are listed on the Official List of the Luxembourg Stock Exchange and are admitted to trading on the Euro MTF Market, which is not a regulated market (as defined by Article 4 (14) of the Directive 2004/39/EC of the European Parliament and of the Council of April 21, 2004). For more information regarding the Unitymedia Notes, see note 8.

Our functional currency is the euro. Unless otherwise indicated, convenience translations into euros are calculated as of March 31, 2017.

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

These condensed consolidated financial statements were submitted to our supervisory board and approved for publication by the Managing Directors on **May 18, 2017**.

(2) Accounting Changes and Recent Pronouncements

New Accounting Standards, Not Yet Effective

Except for the following accounting standards that are relevant for our company, there were no additional standards and interpretations issued by the International Accounting Standards Board (**IASB**) that are not yet effective for the current reporting period that we see as relevant for our company. We have not early adopted the accounting standards that are relevant for us.

Standard/ Interpretation	Title	Applicable for fiscal years beginning on or after	Date of endorsement by the EU
IFRS 2 (amendments)	Classification and Measurement of Share-based Payment Transactions	January 1, 2018 (a)	Not yet endorsed
IFRS 9	Financial Instruments	January 1, 2018 (b)	November 22, 2016
IFRS 15	Revenue from Contracts with Customers	January 1, 2018 (c)	September 22, 2016
IFRS 15 (amendments)	Clarifications to IFRS 15 Revenue from Contracts with Customers	January 1, 2018 (c)	Not yet endorsed
IFRS 16	Leases	January 1, 2019 (d)	Not yet endorsed
IAS 7 (amendments)	Disclosure Initiative	January 1, 2017 (e)	Not yet endorsed
IAS 12 (amendments)	Recognition of Deferred Tax Assets for Unrealized Losses	January 1, 2017 (e)	Not yet endorsed

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(a) In June 2016, the IASB issued amendments to IFRS 2, *Share-based Payments* (**IFRS 2**), which includes new requirements for the accounting of share-based payment transactions with a net settlement feature for withholding tax obligations. The amendments to IFRS 2 will require that certain transactions be classified as equity-settled share-based payment transactions. These amendments are effective for annual reporting periods beginning on or after January 1, 2018, while early application is permitted. We are currently evaluating the effect that these amendments to IFRS 2 will have on our consolidated financial statements and related disclosures.

(b) In July 2014, the IASB issued IFRS 9, *Financial Instruments* (**IFRS 9**), which introduces a single approach for the classification and measurement of financial assets according to their cash flow characteristics and the business model they are managed in, and provides a new impairment model based on expected credit losses. IFRS 9 also includes new regulations regarding the application of hedge accounting to better reflect an entity's risk management activities, especially with regard to managing non-financial risks. This new standard is effective for annual reporting periods beginning on or after January 1, 2018, while early application is permitted. We are currently evaluating the effect that IFRS 9 will have on our consolidated financial statements and related disclosures.

(c) In May 2014, the IASB issued IFRS 15, *Revenue from Contracts with Customers* (**IFRS 15**), 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. IFRS 15 will replace existing revenue recognition guidance in IFRS when it becomes effective for annual reporting periods beginning on or after January 1, 2018. This new standard permits the use of either a retrospective or cumulative effect transition method. We will adopt IFRS 15 effective January 1, 2018 using the cumulative effect transition method. While we are continuing to evaluate the effect that IFRS 15 will have on our consolidated financial statements, we have identified a number of our current revenue recognition policies that will be impacted by IFRS 15, including the accounting for certain up-front fees charged to our customers, as discussed below:

- When we enter into contracts to provide services to our customers, we often charge installation or other up-front fees. Under current accounting rules, installation fees related to services provided over our cable networks are recognized as revenue in the period during which the installation occurs to the extent these fees are equal to or less than direct selling costs. Under IFRS 15, these fees will generally be deferred and recognized as revenue over the contractual period, or longer if the up-front fee results in a material renewal right. As this revenue recognition change results in a relatively minor shift in the timing of revenue recognition, we currently do not expect IFRS 15 to have a material impact on our reported revenue.

IFRS 15 will also impact our accounting for certain up-front costs directly associated with obtaining and fulfilling customer contracts. Under our current policy, subscriber acquisition costs are recognized as an intangible asset when such costs are directly attributable to obtaining a new customer contract, are paid to a third party and can be measured reliably. Subscriber acquisition costs are currently amortized over the applicable contractual life, which results in an estimated useful life of two

years. Under IFRS 15, the up-front costs will be recognized as assets and amortized over a period that is consistent with the transfer to the customers of the goods or services to which the assets relate, which we have generally interpreted to be the expected customer life. The impact of the accounting change for this change in amortization period will be dependent on numerous factors, but we expect the initial impact of adopting this accounting change will be significant.

The ultimate impact of adopting IFRS 15 for both revenue recognition and costs to obtain and fulfill contracts will depend on the promotions and offers in place during the period leading up to and after the adoption of IFRS 15.

(d) In January 2016, the IASB issued IFRS 16, *Leases* (**IFRS 16**), which supersedes IAS 17 *Leases* (**IAS 17**). IFRS 16 will result in lessees recognizing lease assets and lease liabilities on the balance sheet, with lease assets to reflect the right-of-use and corresponding lease liabilities reflecting the present value of the lease payments. IFRS 16 will also result in additional disclosures about leasing arrangements and eliminate the classification of leases as either operating leases or finance leases for a lessee. IFRS 16 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. IFRS 16 also replaces the straight-line operating lease expense for those leases applying IAS 17 with a depreciation charge for the lease asset and an interest expense on the lease liability. This change aligns the lease expense treatment for all leases. The new standard is effective for annual reporting periods beginning on or after January 1, 2019, while early adoption is permitted if IFRS 15 is applied. We will adopt IFRS 16 on January 1, 2019. Although we are currently evaluating the effect that IFRS 16 will have on our consolidated financial statements and related disclosures, we expect the adoption of this standard will increase the number of leases included in our consolidated balance sheet.

(e) We evaluated the impact of applying these accounting standards on our consolidated financial statements and do not believe the impact of the adoption of these standards to be material.

(3) Segment Reporting

We have one reportable segment that provides video, broadband internet, fixed-line telephony and mobile services to residential customers and businesses in Germany.

Our revenue by major category is as follows:

	Three months ended March 31,	
	2017	2016
	in millions	
Subscription revenue (a):		
Video	€ 259.7	€ 253.0
Broadband internet	156.7	142.2
Fixed-line telephony	113.6	112.0
Cable subscription revenue	530.0	507.2
Mobile (b)	4.3	5.4
Total subscription revenue	534.3	512.6
Business-to-business (**B2B**) revenue (c)	3.6	1.3
Other revenue (b) (d)	49.9	41.4
Total	€ 587.8	€ 555.3

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

(b) Mobile subscription revenue excludes mobile interconnect revenue of €0.1 million and €0.3 million during the three months ended March 31, 2017 and 2016, respectively. Mobile interconnect revenue and revenue from mobile handset sales are included in other revenue.

(c) B2B revenue includes revenue from business broadband internet, video, voice, mobile and data services offered to medium to large enterprises and, on a wholesale basis, to other operators. We also provide 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. Revenue from SOHO subscribers, which is included in subscription revenue, aggregated €11.5 million and €8.9 million during the three months ended March 31, 2017 and 2016, respectively.

(d) Other revenue includes, among other items, channel carriage fees, installation fees, mobile handset sales and interconnect fees.

(4) Derivative Instruments

In general, we seek to enter into derivative instruments to protect against (i) increases in the interest rates on our variable-rate debt and (ii) foreign currency movements with respect to borrowings that are denominated in a currency other than our functional currency. In this regard, we have entered into various derivative instruments to manage interest rate exposure and foreign currency exposure with respect to the United States (**U.S.**) dollar. We do not apply hedge accounting to our derivative instruments. Accordingly, changes in the fair values of our derivative instruments are recorded in realized and unrealized gains or losses on derivative instruments, net, in our condensed consolidated statements of operations.

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

	March 31, 2017			December 31, 2016		
	Current (a)	Noncurrent	Total	Current (a)	Noncurrent	Total
	in millions					
Assets:						
Cross-currency and interest rate derivative contracts (b)	€ 43.0	€ 365.2	€ 408.2	€ 45.3	€ 380.2	€ 425.5
Liabilities:						
Cross-currency and interest rate derivative contracts (b)	€ —	€ 2.4	€ 2.4	€ —	€ 0.6	€ 0.6

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

(b) 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 net gains of €15.4 million and €0.1 million during the three months ended March 31, 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.

We recorded realized and unrealized gains (losses) on derivative instruments, net, of €2.5 million and (€103.3 million) during the three months ended March 31, 2017 and 2016, respectively.

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. Our cash inflows related to derivative instruments during the three months ended March 31, 2017 and 2016 are €21.6 million and €20.1 million, respectively, and are classified as operating activities in our condensed consolidated statements of cash flows.

Details of our Derivative Instruments

In the following tables, we present the details of the various categories of our subsidiary's derivative instruments. The notional amounts of multiple derivative instruments that mature within the same calendar month are shown in the aggregate and interest rates are presented on a weighted average basis. In addition, for derivative instruments that were in effect as of March 31, 2017, we present a single date that represents the applicable final maturity date.

Cross-currency and Interest Rate Derivative Contracts

Cross-currency Swaps. 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 borrowing entity. Although we generally seek to match the denomination of our subsidiary's borrowings with the functional currency of the borrowing entity, market conditions or other factors may cause us to enter into borrowing arrangements that are not denominated in the borrowing entity's functional currency (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 March 31, 2017, substantially all of our debt was either directly or synthetically matched to the functional currency of the borrowing entity. The following table sets forth the total notional amounts and the related weighted average remaining contractual life of our cross-currency swap contracts at March 31, 2017:

Notional amount due from counterparty	Notional amount due to counterparty	Weighted average remaining life
in millions		in years
$ 2,450.0	€ 1,799.0	5.8

Interest Rate Swaps. 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 March 31, 2017, the euro equivalent of the notional amounts of these derivative instruments was €268.2 million and the related weighted average remaining contractual life of our interest rate swap contracts was 5.8 years.

Impact of Derivative Instruments on Borrowing Costs

The impact of the derivative instruments that mitigate our foreign currency and interest rate risk, as described above, was a decrease of 29 basis points to our borrowing costs at March 31, 2017.

(5) Fair Value Measurements

We use the fair value method to account for (i) our derivative instruments and (ii) certain instruments that we classify as debt. The reported fair values of these instruments as of March 31, 2017 likely will not represent the value that will be paid or received upon the ultimate settlement or disposition of these instruments, as we expect that the values realized generally will be based on market conditions at the time of settlement, which may occur at the maturity of the derivative instrument or at the time of the repayment or refinancing of the underlying debt instrument.

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

included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. We record transfers of assets or liabilities into or out of Levels 1, 2 or 3 at the beginning of the quarter during which the transfer occurred. During the three months ended March 31, 2017, no such transfers were made.

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

In order to manage our interest rate and foreign currency exchange risk, we have entered into (i) various derivative instruments and (ii) certain instruments that we classify as debt, as further described in note 8. The recurring fair value measurements of these instruments are determined using discounted cash flow models. Most of the inputs to these discounted cash flow models consist of, or are derived from, observable Level 2 data for substantially the full term of these instruments. This observable data includes applicable interest rate futures and swap rates, which are retrieved or derived from available market data. Although we may extrapolate or interpolate this data, we do not otherwise alter this data in performing our valuations. We incorporate a credit risk valuation adjustment in our fair value measurements to estimate the impact of both our own nonperformance risk and the nonperformance risk of our counterparties. 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 and our counterparties' credit spreads are Level 3 inputs that are used to derive the credit risk valuation adjustments with respect to these instruments. As we would not expect changes in our or our counterparties' credit spreads to have a significant impact on the valuations of these instruments, we have determined that these valuations fall under Level 2 of the fair value hierarchy. Our credit risk valuation adjustments with respect to our cross-currency and interest rate swaps and certain of our debt are quantified and further explained in notes 4 and 8.

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

Fair value measurements are also used in connection with nonrecurring valuations performed in connection with impairment assessments and acquisition accounting. These nonrecurring valuations include the valuation of our company, customer relationship intangible assets, property and equipment and the implied value of goodwill. The valuation of our company (our only cash-generating unit) is based at least in part on discounted cash flow analyses. With the exception of certain inputs for our WACC and discount rate calculations that are derived from pricing services, the inputs used in our discounted cash flow analyses, such as forecasts of future cash flows, are based on our assumptions. The valuation of customer relationships is primarily based on an excess earnings methodology, which is a form of a discounted cash flow analysis. The excess earnings methodology requires us to estimate the specific cash flows expected from the customer relationship, considering such factors as estimated customer life, the revenue expected to be generated over the life of the customer relationship, contributory asset charges and other factors. Tangible assets are typically valued using a replacement or reproduction cost approach, considering factors such as current prices of the same or similar equipment, the age of the equipment and economic obsolescence. The implied value of goodwill is determined by allocating the fair value of our company to all of the assets and liabilities of our reporting unit as if our reporting unit had been acquired in a business combination, with the residual amount allocated to goodwill. All of our nonrecurring valuations use significant unobservable inputs and therefore fall under Level 3 of the fair value hierarchy. We did not perform any significant nonrecurring fair value measurements during the three months ended March 31, 2017 and 2016.

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

		March 31, 2017		December 31, 2016	
	Category (a)	Carrying amount	Estimated fair value	Carrying amount	Estimated fair value
		in millions			
Assets carried at fair value — derivative financial instruments	I	€ 408.2	€ 408.2	€ 425.5	€ 425.5
Assets carried at cost or amortized cost:					
Loan receivable – related-party	II	€ 2,005.6	(b)	€ 1,824.0	(b)
Other current and noncurrent financial assets	II	9.2	€ 9.2	6.8	€ 6.8
Trade receivables and unbilled revenue	II	125.7	€ 125.7	99.2	€ 99.2
Cash and cash equivalents	II	1.8	€ 1.8	2.8	€ 2.8
Restricted cash	II	1.2	€ 1.2	1.2	€ 1.2
Total assets carried at cost or amortized cost		€ 2,143.5		€ 1,934.0	
Liabilities carried at fair value — third-party debt obligations	I	€ 90.6	€ 90.6	€ 88.4	€ 88.4
Liabilities carried at fair value — derivative financial instruments	I	€ 2.4	€ 2.4	€ 0.6	€ 0.6
Liabilities carried at cost or amortized cost:					
Debt obligations – third-party	III	€ 7,548.3	€ 7,966.1	€ 7,620.7	€ 7,938.6
Loans payable – related-party	III	311.2	(b)	364.7	(b)
Accrued liabilities (including related-party)	III	291.0	€ 291.0	331.3	€ 331.3
Accounts payable and other liabilities (including related-party accounts payable)	III	138.1	€ 138.1	49.7	€ 49.7
Finance lease obligations	V	6.6	€ 6.6	4.8	€ 4.8
Total liabilities carried at cost or amortized cost		€ 8,295.2		€ 8,371.2	

(a) Pursuant to IAS 39, *Financial Instruments: Recognition and Measurement* (**IAS 39**), category I refers to financial assets and liabilities measured at fair value through profit and loss, classified as held for trading, category II refers to loans and receivables, category III refers to financial liabilities measured at amortized cost and category IV refers to derivative instruments designated as hedging instruments. Category V refers to finance leases outside the scope of IAS 39.

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

Pre-tax amounts recognized in our condensed consolidated statements of operations for the three months ended March 31, 2017 and 2016 related to our financial assets and liabilities are as follows:

	Interest income	Interest expense	Other statement of operations effects (a)	Impact on earnings before income taxes
		in millions		
Three months ended March 31, 2017:				
Derivative assets carried at fair value through our condensed consolidated statement of operations	€ —	€ —	€ 4.3	€ 4.3
Assets carried at cost or amortized cost:				
Trade receivables (b)	—	—	(2.9)	(2.9)
Loan receivable – related-party	14.8	—	—	14.8
Cash and cash equivalents	—	—	0.3	0.3
Derivative liabilities carried at fair value through our condensed consolidated statement of operations	—	—	(1.8)	(1.8)
Liabilities carried at fair value through our condensed consolidated statement of operations	—	—	(4.1)	(4.1)
Liabilities carried at cost or amortized cost	—	(100.8)	33.1	(67.7)
	€ 14.8	€ (100.8)	€ 28.9	€ (57.1)
Three months ended March 31, 2016:				
Derivative assets carried at fair value through our condensed consolidated statement of operations	€ —	€ —	€ (103.3)	€ (103.3)
Assets carried at cost or amortized cost:				
Trade receivables (b)	0.1	—	(2.8)	(2.7)
Loan receivable – related-party	8.4	—	—	8.4
Liabilities carried at cost or amortized cost	—	(96.6)	101.1	4.5
	€ 8.5	€ (96.6)	€ (5.0)	€ (93.1)

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

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

(6) Long-lived Assets

Property and Equipment, Net

Changes during the three months ended March 31, 2017 in the carrying amounts of our property and equipment, net, are as follows:

	Cable distribution systems	Customer premises equipment	Support equipment, buildings and land	Total
	in millions			
Cost:				
January 1, 2017	€ 4,647.9	€ 557.1	€ 236.5	€ 5,441.5
Additions	70.0	45.1	9.0	124.1
Retirements and disposals	(26.5)	(32.5)	(3.5)	(62.5)
Transfers of used property and equipment - related-party	—	(2.8)	—	(2.8)
March 31, 2017	€ 4,691.4	€ 566.9	€ 242.0	€ 5,500.3
Accumulated depreciation:				
January 1, 2017	€ 1,890.8	€ 258.8	€ 114.5	€ 2,264.1
Depreciation	98.7	28.3	9.3	136.3
Retirements and disposals	(26.5)	(31.4)	(3.5)	(61.4)
Transfers of used property and equipment - related-party	—	(1.8)	—	(1.8)
March 31, 2017	€ 1,963.0	€ 253.9	€ 120.3	€ 2,337.2
Property and equipment, net:				
March 31, 2017	€ 2,728.4	€ 313.0	€ 121.7	€ 3,163.1

During the three months ended March 31, 2017 and 2016, we recorded non-cash increases to our property and equipment related to vendor financing arrangements of €46.7 million and €36.5 million, respectively, which exclude related value-added taxes (**VAT**) of €7.0 million and €5.9 million, respectively, that was also financed by our vendors under these arrangements. In addition, during the three months ended March 31, 2017, we recorded a non-cash increase to our property and equipment related to assets acquired under finance leases of €2.2 million.

During the three months ended March 31, 2017, no borrowing costs were capitalized.

Intangible Assets Subject to Amortization, Net

Changes during the three months ended March 31, 2017 in the carrying amounts of our finite-lived intangible assets are as follows:

	Customer relationships	Subscriber acquisition costs	Other (a)	Total
	in millions			
Cost:				
January 1, 2017	€ 1,358.6	€ 170.3	€ 185.6	€ 1,714.5
Additions	—	26.3	12.8	39.1
Retirements and disposals	—	(19.6)	(29.2)	(48.8)
March 31, 2017	€ 1,358.6	€ 177.0	€ 169.2	€ 1,704.8
Accumulated amortization:				
January 1, 2017	€ 996.1	€ 80.7	€ 87.8	€ 1,164.6
Amortization	40.4	22.9	13.2	76.5
Retirements and disposals	—	(19.1)	(29.2)	(48.3)
March 31, 2017	€ 1,036.5	€ 84.5	€ 71.8	€ 1,192.8
Intangible assets subject to amortization, net:				
March 31, 2017	€ 322.1	€ 92.5	€ 97.4	€ 512.0

(a) Primarily includes computer software costs.

(7) Provisions

The details of our provisions are set forth as follows:

	March 31, 2017	December 31, 2016
	in millions	
Restructuring liability	€ 57.6	€ 68.9
Net pension liability	35.2	34.8
Other	33.0	23.6
Total provisions	€ 125.8	€ 127.3
Current portion	€ 81.2	€ 83.9
Noncurrent portion	€ 44.6	€ 43.4

The following table shows the development of our provisions:

	Restructuring liability	Net pension liability	Other	Total
	in millions			
January 1, 2017	€ 68.9	€ 34.8	€ 23.6	€ 127.3
Additions	1.1	0.4	12.0	13.5
Releases	—	—	(0.6)	(0.6)
Cash payments	(12.4)	—	(2.0)	(14.4)
March 31, 2017	€ 57.6	€ 35.2	€ 33.0	€ 125.8

Our restructuring charges during the three months ended March 31, 2017 relate to employee severance and termination costs associated with certain reorganization activities.

Employee benefit-related expenses associated with our (i) contributions to the German statutory pension system, (ii) defined contribution plan, (iii) defined benefit pension plans and (iv) direct insurance aggregated €4.6 million during the three months ended March 31, 2017.

(8) Debt and Finance Lease Obligations

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

	March 31, 2017			Estimated fair value (a)		Principal amount	
	Weighted average interest rate (b)	Borrowing currency	Euro equivalent	March 31, 2017	December 31, 2016	March 31, 2017	December 31, 2016
				in millions			
Third-party debt:							
Unitymedia Notes:							
Parent:							
2025 UM Senior Notes	6.125%	$ 900.0	€ 841.4	€ 887.6	€ 877.9	€ 841.4	€ 853.3
2027 UM Senior Notes	3.750%	€ 700.0	700.0	705.3	665.9	700.0	700.0
Subsidiaries:							
2022 UM Senior Secured Notes	5.500%	€ 526.5	526.5	550.2	557.4	526.5	526.5
January 2023 UM Senior Secured Notes:							
January 2023 UM Dollar Senior Secured Notes	5.500%	$ 1,000.0	934.8	974.0	983.7	934.8	948.1
January 2023 5.750% UM Euro Senior Secured Notes	5.750%	€ 405.0	405.0	428.0	434.6	405.0	405.0
January 2023 5.125% UM Euro Senior Secured Notes	5.125%	€ 405.0	405.0	424.2	430.1	405.0	405.0
April 2023 UM Senior Secured Notes	5.625%	€ 280.0	280.0	297.9	301.0	280.0	280.0
2025 UM Senior Secured Notes:							
2025 UM Euro Senior Secured Notes	4.000%	€ 1,000.0	1,000.0	1,042.5	1,044.4	1,000.0	1,000.0
2025 UM Dollar Senior Secured Notes	5.000%	$ 550.0	514.2	526.1	522.1	514.2	521.5
2026 UM Senior Secured Notes	4.625%	€ 420.0	420.0	450.5	445.2	420.0	420.0
2027 UM Senior Secured Notes	3.500%	€ 500.0	500.0	508.1	492.2	500.0	500.0
2029 UM Senior Secured Notes	6.250%	€ 475.0	475.0	539.4	527.0	475.0	475.0
Unitymedia Revolving Credit Facilities (c):							
UM Senior Secured Facility	—	€ 420.0	420.0	—	—	—	—
UM Super Senior Secured Facility	—	€ 80.0	80.0	—	—	—	—
Derivative-related debt instruments (d)	3.444%	€ 359.8	359.8	406.2	393.5	359.8	366.6
Vendor financing (e)	2.815%	€ 234.4	234.4	234.4	200.5	234.4	200.5
Total third-party debt before fair value adjustments, deferred financing costs and accrued interest	4.861%		€8,096.1	€ 7,974.4	€ 7,875.5	€ 7,596.1	€ 7,601.5

The following table provides a reconciliation of total debt before fair value adjustments, deferred financing costs and accrued interest to total debt and finance lease obligations:

	March 31, 2017	December 31, 2016
	in millions	
Total third-party debt before fair value adjustments, deferred financing costs and accrued interest	€ 7,596.1	€ 7,601.5
Fair value adjustments, net	6.8	3.8
Deferred financing costs	(46.3)	(47.7)
Accrued interest – third-party	82.3	151.5
Total carrying amount of third-party debt	7,638.9	7,709.1
Finance lease obligations	6.6	4.8
Total third-party debt and finance lease obligations	7,645.5	7,713.9
Related-party debt (note 10):		
Principal	305.0	351.3
Accrued interest	6.2	13.4
Total related-party debt	311.2	364.7
Total debt and finance lease obligations	7,956.7	8,078.6
Current portion of debt and finance lease obligations	(328.4)	(367.7)
Noncurrent portion of debt and finance lease obligations	€ 7,628.3	€ 7,710.9

(a) 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) or, when quoted market prices are unavailable or not considered indicative of fair value, discounted cash flow models (mostly Level 2 of the fair value hierarchy). The discount rates used in the cash flow models are based on the market interest rates and estimated credit spreads of the applicable entity, to the extent available, and other relevant factors. For additional information regarding fair value hierarchies, see note 5.

(b) Represents the weighted average interest rate in effect at March 31, 2017 for all borrowings outstanding pursuant to each debt instrument, including any applicable margin. The interest rates 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, our weighted average interest rate on our aggregate third-party variable- and fixed-rate indebtedness was 4.65% at March 31, 2017. For information regarding our derivative instruments, see note 4.

(c) At March 31, 2017, based on the applicable leverage and other financial covenants, the full €500.0 million of unused borrowing capacity was available to be borrowed under the Unitymedia Revolving Credit Facilities. Unused borrowing capacity represents the maximum availability under the Unitymedia Revolving Credit Facilities without regard to covenant compliance calculations or other conditions precedent to borrowing. When the relevant March 31, 2017 compliance reporting requirements have been completed, and assuming no changes from March 31, 2017 borrowing levels, we anticipate that the full amount of unused borrowing capacity under the Unitymedia Revolving Credit Facilities will continue to be available to be borrowed.

(d) Principal amounts include certain derivative-related borrowing instruments, including outstanding principal of €83.8 million and €84.6 million, respectively, which are carried at a fair value of €90.6 million and €88.4 million, respectively. The fair value of this debt has been reduced by credit risk valuation adjustments resulting in a net loss of €6.2 million during the three months ended March 31, 2017, which is included in other income, net, in our condensed consolidated statement of operations. For further information regarding our fair value measurements, see note 5.

(e) Represents amounts owed pursuant to interest-bearing vendor financing arrangements that are used to finance certain of our property, equipment and intangible asset 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. Amounts for the three months ended March 31, 2017 and 2016 include €29.0 million and €2.1 million of operating expenses that were financed by an intermediary and are reflected as a hypothetical cash outflow within net cash provided by operating activities and a hypothetical cash inflow within net cash used by financing activities in our condensed consolidated statements of cash flows. In addition, during the three months ended March 31, 2017 and 2016, aggregate payments of €41.1 million and €42.8 million, respectively, were made under capital-related vendor financing arrangements. During the three months ended March 31, 2017, aggregate payments of €7.8 million were also made under operating-related vendor financing arrangements. Repayments of vendor financing obligations are included in repayments of third-party debt and finance lease obligations in our condensed consolidated statements of cash flows.

Unitymedia Notes

During the first quarter of 2016, we completed certain financing transactions with respect to the Unitymedia Notes that resulted in a loss on debt modification and extinguishment, net, of €3.9 million. This loss includes (i) the payment of €3.1 million of redemption premium and (ii) the write-off of €0.8 million of deferred financing costs.

Maturities of Debt and Finance Lease Obligations

The euro equivalents of the maturities of our debt and finance lease obligations as of March 31, 2017 are presented below:

	Third-party debt	Related-party debt	Finance lease obligations	Total
	in millions			
Year ending December 31:				
2017 (remainder of year)	€ 213.1	€ —	€ 1.4	€ 214.5
2018	32.5	—	1.5	34.0
2019	7.2	—	1.0	8.2
2020	6.8	—	0.7	7.5
2021	6.5	—	0.6	7.1
2022	532.6	—	0.6	533.2
Thereafter	6,797.4	305.0	4.2	7,106.6
Total debt maturities	7,596.1	305.0	10.0	7,911.1
Accrued interest, deferred financing costs and fair value adjustments, net	42.8	6.2	—	49.0
Amounts representing interest	—	—	(3.4)	(3.4)
Total	€ 7,638.9	€ 311.2	€ 6.6	€ 7,956.7

(9) Income Taxes

The income tax expense attributable to our earnings before income taxes differs from the income tax expense computed by using the German income tax rate of 32.78% for each of the 2017 and 2016 periods as a result of the following:

	Three months ended March 31,	
	2017	2016
	in millions	
Computed "expected" income tax expense	€ (8.6)	€ (0.9)
Non-deductible or non-taxable interest and other expenses	(7.9)	(8.2)
Changes in unrecognized net operating losses and interest carryforwards, net	(2.3)	(1.2)
Other, net	—	0.4
Total	€ (18.8)	€ (9.9)

(10) Related-party Transactions

Our related-party transactions consist of the following:

	Three months ended March 31,	
	2017	2016
	in millions	
Credits (charges) included in:		
OpEx	€ (0.7)	€ (1.4)
SG&A	(0.2)	(0.2)
Allocated share-based compensation expense	(3.7)	(1.7)
Fees and allocations, net:		
OpEx and SG&A (exclusive of depreciation and share-based compensation)	(13.6)	(13.1)
Depreciation	(12.7)	(10.9)
Share-based compensation	(7.7)	(5.0)
Management fee	(23.2)	(7.8)
Total fees and allocations, net	(57.2)	(36.8)
Included in EBIT	(61.8)	(40.1)
Interest expense	(6.2)	(5.7)
Interest income	14.8	8.4
Share of associate gain	—	0.2
Included in net earnings (loss)	€ (53.2)	€ (37.2)
Property, equipment and intangible asset additions	€ 36.7	€ 25.6

General. Certain Liberty Global subsidiaries charge fees and allocate costs and expenses to our company. 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, net, 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, net 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.

OpEx. These amounts represent certain cash settled charges from other Liberty Global subsidiaries to our company primarily for certain backbone and other network-related services provided to our company.

SG&A. These amounts represent the net impact of certain cash settled (i) charges from other Liberty Global subsidiaries to our company, primarily for software maintenance services and (ii) recharges for certain general and administrative services provided by our company to other Liberty Global subsidiaries.

Allocated share-based compensation expense. These amounts are allocated to our company by Liberty Global and represent the 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 reflected as a decrease to owner's deficit and is included in SG&A 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, including the use of the UPC trademark. The categories of our fees and allocations are as follows:

- *OpEx and SG&A (exclusive of depreciation and share-based compensation).* The amounts included in this category, which are generally cash settled, represent our estimated share of certain centralized technology, management, marketing, finance and other OpEx 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 cash 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) OpEx 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, net charged to our company.

Liberty Global charges technology-based fees to our company using a royalty-based method. For the three months ended March 31, 2017 and 2016, our proportional share of the technology-based costs of €26.9 million and €21.5 million, respectively, was nil and €0.8 million, respectively, 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 changes in owner's deficit. The fees charged under the royalty-based method are expected to escalate in future periods. The excess of these charges over our estimated proportionate share of the underlying technology-based costs is classified as a management fee and added back to arrive at Covenant EBITDA.

Interest expense. These amounts relate to (i) the 2010 Shareholder Loan (as defined and described below) and (ii) the 2015 UMI Loan (as defined and described below), which was settled during the first quarter of 2017.

Interest income. These amounts relate to our loans receivable from UPC Germany, including (i) the 2012 UPC Germany Loan Receivable, (ii) the 2015 UPC Germany Loan Receivable and (iii) the 2016 UPC Germany Loan Receivable (each as defined and described below). Interest income is included in other income, net, in our condensed consolidated statements of operations.

Share of associate gain. These amounts represent our share of the results of the operations of Unitymedia International GmbH (**UMI**). Share of associate gain is included in other income, net, in our condensed consolidated statements of operations.

Property, equipment and intangible asset additions, net. These amounts, which are generally cash settled, represent the net carrying values of (i) customer premises and network-related equipment acquired from other Liberty Global subsidiaries, which centrally procure equipment on behalf of our company and other Liberty Global subsidiaries, and (ii) used customer premises and network-related equipment acquired from or transferred to other Liberty Global subsidiaries outside of Unitymedia.

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

	March 31, 2017	December 31, 2016
	in millions	
Related-party assets:		
Current loans receivable – related-party (a)	€ 1,492.6	€ 1,311.0
Other current assets (b)	8.0	4.3
Investment in associate (c)	—	61.0
Noncurrent loans receivable – related-party (d)	513.0	513.0
Total	€ 2,013.6	€ 1,889.3
Related-party liabilities:		
Accounts payable and accrued liabilities – related-party (e)	€ 144.5	€ 83.6
2010 Shareholder Loan (f)	305.0	291.6
2015 UMI Loan (g)	—	59.7
Total	€ 449.5	€ 434.9

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(a) Represents (i) principal (€1,480.0 million at March 31, 2017) and accrued interest associated with our loan receivable from UPC Germany (the **2012 UPC Germany Loan Receivable**) and (ii) accrued interest associated with the 2016 UPC Germany Loan Receivable and the 2015 UPC Germany Loan Receivable (each as defined and described below). Pursuant to the 2012 UPC Germany Loan Receivable agreement, we can require the repayment of all or part of the amount outstanding within five days of providing notice to UPC Germany. Amounts loaned to UPC Germany pursuant to the 2012 UPC Germany Loan Receivable agreement are subject to certain restrictions contained in the instruments governing our indebtedness. The interest rate on this loan, which is subject to adjustment, was 2.58% as of March 31, 2017. The increase in the principal balance of the loan receivable during the three months ended March 31, 2017 is due to a net increase in the 2012 UPC Germany Loan Receivable due to (a) cash advances of €947.3 million, (b) cash repayments of €780.6 million, (c) the transfer of €25.3 million in non-cash accrued interest to the 2012 UPC Germany Loan Receivable balance and (d) an €8.8 million non-cash increase related to the settlement of aggregate amounts due under the 2015 UPC Germany Loan Receivable and the 2016 UPC Germany Loan Receivable.

(b) Represents various related-party receivables that may be cash or loan settled.

(c) Represents our 100% equity interest in UMI, which is a special purpose entity that was formed for the purpose of effecting certain asset purchase and related leasing transactions involving certain UPC Holding B.V. (**UPC Holding**) subsidiaries. UPC Holding is a subsidiary of Liberty Global. Prior to January 1, 2017, these leasing transactions created a variable interest in UMI for which UPC Holding was the primary beneficiary and, accordingly, UPC Holding was required to consolidate UMI. Effective January 1, 2017, as UMI no longer engages in leasing transactions with UPC Holding, UMI is consolidated by Unitymedia Hessen GmbH & Co. KG (**Unitymedia Hessen**). During the first quarter of 2017, our investment in UMI was fully settled against the 2015 UMI Loan, a loan payable to UMI that originated in March 2015 (the **2015 UMI Loan**). As such, all principal and accrued interest outstanding under this loan was settled against the corresponding equity method investment balance included in investment in associate on our condensed consolidated balance sheets.

(d) Represents (i) principal (€283.0 million at March 31, 2017) associated with our loan receivable from UPC Germany that was issued in June 2016 and matures on January 15, 2023 (the **2016 UPC Germany Loan Receivable**) and (ii) principal (€230.0 million at March 31, 2017) associated with our loan receivable from UPC Germany that was issued in December 2015 and matures on February 15, 2026 (the **2015 UPC Germany Loan Receivable**). Amounts loaned to UPC Germany pursuant to the 2016 UPC Germany Loan Receivable and the 2015 UPC Germany Loan Receivable agreements are subject to certain restrictions contained in the instruments governing our indebtedness. The interest rates on these loans, which are subject to adjustment, were 4.90% and 5.25%, respectively, as of March 31, 2017.

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

(f) Represents a loan payable to our shareholder, UPC Germany, that originated in December 2010 (the **2010 Shareholder Loan**). The 2010 Shareholder Loan bears interest at 8.125% per annum and accrued interest is generally transferred to the loan balance annually on January 1. All principal and accrued interest on this loan (collectively €311.2 million at March 31, 2017) is due and payable on January 1, 2030. The net increase in the principal amount during the three months ended March 31, 2017 includes (i) the transfer of €11.9 million in non-cash accrued interest to the loan balance and (ii) a non-cash increase of €1.5 million related to the settlement of related-party payables.

(g) The 2015 UMI Loan was fully settled against our investment in UMI during the first quarter of 2017, as discussed under (c) above.

Equity transactions. In connection with the exercise of Liberty Global share appreciation rights and the vesting of Liberty Global restricted share awards held by certain employees of our subsidiaries, we recorded aggregate capital charges of €0.6 million and €1.1 million during the three months ended March 31, 2017 and 2016, respectively, in our condensed consolidated statements of changes in owner's deficit. 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.

(11) Commitments and Contingencies

Commitments

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

As of March 31, 2017, the network and connectivity commitments, purchase commitments, operating leases, programming obligations and other commitments are as follows:

	Payments due during:							
	Remainder of 2017	2018	2019	2020	2021	2022	Thereafter	Total
	in millions							
Network and connectivity commitments	€ 101.5	€ 105.1	€ 97.1	€ 85.9	€ 85.1	€ 82.3	€ 621.2	€ 1,178.2
Purchase commitments (a)	145.5	29.5	29.7	28.8	—	—	—	233.5
Operating leases	11.2	12.7	12.2	10.4	9.0	8.1	25.4	89.0
Programming commitments	27.0	25.0	25.4	5.8	—	—	—	83.2
Other commitments	0.1	0.1	0.1	0.1	0.1	0.1	—	0.6
Total (b)	€ 285.3	€ 172.4	€ 164.5	€ 131.0	€ 94.2	€ 90.5	€ 646.6	€ 1,584.5

(a) Includes €38.3 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 March 31, 2017 condensed consolidated balance sheet.

Network and connectivity commitments include indefinite-lived lease agreements with Deutsche Telekom for cable ducts and, to a lesser extent, certain repair and maintenance, fiber capacity and energy commitments.

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 call center, information technology and maintenance services.

Programming commitments consist of obligations associated with certain of our programming and copyright 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 film or sports services. 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 third-party programming and copyright costs aggregated €37.1 million and €36.3 million during the three months ended March 31, 2017 and 2016, respectively.

In addition to the commitments set forth in the table above, we have significant commitments under derivative instruments, 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 three months ended March 31, 2017 and 2016, see note 4.

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

Deutsche Telekom Litigation. On December 28, 2012, we filed a lawsuit against Telekom Deutschland GmbH, an operating subsidiary of Deutsche Telekom, in which we assert that we pay excessive prices for the co-use of Deutsche Telekom's cable ducts in our footprint. The Federal Network Agency approved rates for the co-use of certain ducts of Deutsche Telekom in March 2011. Based in part on these approved rates, we are seeking a reduction of the annual lease fees (approximately €76 million for 2012) by approximately two-thirds and the return of similarly calculated overpayments from 2009 through the ultimate settlement date, plus accrued interest. In October 2016, the first instance court dismissed this action. We have appealed this decision; however, the resolution of this matter may take several years, and no assurance can be given that our claims will be successful. Any recovery by our company will not be reflected in our consolidated financial statements until such time as the final disposition of this matter has been reached.

Financial Transactions Tax. Certain countries in the E.U., including Germany, are participating in an enhanced cooperation procedure to introduce a financial transactions tax (the **FTT**). Under the draft language of the FTT proposal, a wide range of financial transactions could be taxed at rates of at least 0.01% for derivative transactions based on the notional amount and 0.1% for other covered financial transactions based on the underlying transaction price. Each of the individual countries would be permitted to determine an exact rate, which could be higher than the proposed rates of 0.01% and 0.1%. Any implementation of the FTT could have a global impact because it would apply to all financial transactions where a financial institution is involved (including unregulated entities that engage in certain types of covered activity) and either of the parties (whether the financial institution or its counterparty) is in one of the participating countries. Although there continues to be ongoing discussions in the relevant countries around the FTT, uncertainty remains as to if and when the FTT will be implemented and the breadth of its application. Based on our understanding of the current status of the potential FTT, we do not expect that any implementation of the FTT would occur before 2018. Any imposition of the FTT could increase banking fees and introduce taxes on internal transactions that we currently perform. Due to the uncertainty regarding the FTT, we are currently unable to estimate the financial impact that the FTT could have on our results of operations, cash flows or financial position.

Other Regulatory Issues. Broadband communications and mobile businesses are subject to significant regulation and supervision by various regulatory bodies, including state authorities in the jurisdictions in which we operate, and German and E.U. authorities. Adverse regulatory developments could subject our businesses to a number of risks. Regulation, including conditions imposed on us by competition or other authorities as a requirement to close acquisitions or dispositions, could limit growth, revenue and the number and types of services offered and could lead to increased operating costs and property, equipment and intangible asset 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.

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, our product offerings and recent events.
- *Material Changes in Results of Operations.* This section provides an analysis of our results of operations for the three months ended March 31, 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 Unitymedia or collectively to Unitymedia and its subsidiaries.

Forward-looking Statements

Certain statements in this quarterly report constitute forward-looking statements. To the extent that statements in this quarterly report are not recitations of historical fact, such statements constitute forward-looking statements, which, by definition, involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. In particular, statements under *Management's Discussion and Analysis of Financial Condition and Results of Operations* may contain forward-looking statements, including statements regarding our business, product and finance strategies, our property, equipment and intangible asset additions (including with respect to the planned new build and upgrade activities), subscriber growth and retention rates, competitive, regulatory and economic factors, the timing and impacts of proposed transactions, liquidity 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 risks and uncertainties in the following list, and those described herein, as some of 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 Germany;
- the competitive environment in Germany, including competitor responses to our products and services;
- fluctuations in currency exchange rates and interest rates;
- instability in global financial markets, including sovereign debt issues and related fiscal reforms;
- consumer disposable income and spending levels, including the availability and amount of individual consumer debt;
- changes in consumer television viewing preferences and habits;
- consumer acceptance of our existing service offerings, including our 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 Germany and adverse outcomes from regulatory proceedings;
- government intervention that impairs our competitive position, including any intervention that would impact our contractual relationships with housing associations and third parties that operate and administer in-building networks on behalf of housing associations (**Professional Operators**) or would open our broadband distribution networks to competitors;
- our ability to obtain regulatory approval and satisfy other conditions necessary to close acquisitions, and the impact of conditions imposed by competition and other regulatory authorities in connection with acquisitions;
- 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 may acquire;
- changes in laws or treaties relating to taxation, or the interpretation thereof, in Germany;
- 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 provider under our MVNO (as defined and described below) arrangement) 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 new build and upgrade activities;
- 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;
- changes in the nature of key relationships with Deutsche Telekom and certain of its affiliates for the access and operation of a significant portion of our network;
- our ability to successfully interact with labor councils and unions; and
- events that are outside of our control, such as political unrest in international markets, terrorist attacks, malicious human acts, natural disasters, pandemics and other similar events.

The broadband 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 a subsidiary of Liberty Global that provides video, broadband internet and fixed-line telephony services over our broadband communications network and mobile services as a mobile virtual network operator (**MVNO**) to residential customers and businesses. We are the second largest cable operator in Germany and largest cable operator in the German federal states of North Rhine-Westphalia, Hesse and Baden-Württemberg in terms of the number of customers.

Operations

As of March 31, 2017, we served 12,891,400 revenue generating units (**RGUs**) consisting of 6,397,300 video RGUs (including 1,599,500 enhanced video RGUs), 3,357,100 broadband internet RGUs and 3,137,000 fixed-line telephony RGUs over a broadband communications network that passed 12,916,200 homes. In addition, at March 31, 2017, we served 346,700 mobile subscribers.

The following table provides details of our organic RGU and mobile subscriber changes for the periods indicated. Organic RGU and mobile subscriber changes exclude the effect of acquisitions (RGUs and mobile subscribers added on the acquisition date) and other non-organic adjustments, but include post-acquisition date RGU and mobile subscriber additions or losses, as applicable.

	Three months ended March 31,	
	2017	**2016**
Organic RGU additions (losses):		
Video:		
Basic	(25,100)	(54,100)
Enhanced	16,700	11,900
Total video	(8,400)	(42,200)
Broadband internet	31,500	40,000
Fixed-line telephony	29,300	25,800
Total organic RGU additions	52,400	23,600
Organic mobile subscriber additions (losses)	(6,400)	1,800

Competition and Other External Factors

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

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

(ii) Sky Deutschland AG, Deutsche Telekom and several other content providers with their respective video offerings that compete primarily with our digital video products; and

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

On June 23, 2016, the United Kingdom (**U.K.**) held a referendum in which voters approved, 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. The initial impact of the announcement of Brexit caused significant volatility in global capital markets.

In general, our ability to increase or maintain the fees we receive for our services is limited by competitive and, to a lesser degree, regulatory factors. The competition we face in our markets, as well as any decline in the economic environment, could adversely impact our ability to increase or maintain our revenue, RGUs, Adjusted Segment EBITDA or liquidity. We currently are unable to predict the extent of any of these potential adverse effects. As we use the term, "**Adjusted Segment EBITDA**" is defined as EBITDA before share-based compensation, provisions and provision releases related to significant litigation, impairment, restructuring and other operating items and related-party fees and allocations, net.

Material Changes in Results of Operations

General

Most of our revenue is subject to 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 Adjusted Segment EBITDA and Adjusted Segment EBITDA margin 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 in our interconnect revenue and/or costs. The ultimate impact of any such changes in termination rates on our Adjusted Segment EBITDA would be dependent on the call or text messaging patterns that are subject to the changed termination rates.

Revenue

Revenue includes amounts earned from (i) subscribers to our broadband communications and other fixed-line services (collectively referred to herein as "**cable subscription revenue**") and our mobile services and (ii) B2B services, interconnect fees, channel carriage fees, installation fees, mobile handset sales and late fees. Consistent with the presentation of our revenue categories in note 3 to our condensed consolidated financial statements, we use the term "subscription revenue" in the following discussion to refer to amounts received from subscribers for ongoing services, excluding installation fees and late fees. In the below tables, mobile subscription revenue excludes the related interconnect revenue.

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 average monthly subscription revenue per average RGUs or mobile subscribers, as applicable, (**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 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.

The details of our revenue are as follows:

	Three months ended March 31,		Increase (decrease)	
	2017	2016	€	%
	in millions			
Subscription revenue (a):				
Video	€ 259.7	€ 253.0	€ 6.7	2.6
Broadband internet	156.7	142.2	14.5	10.2
Fixed-line telephony	113.6	112.0	1.6	1.4
Cable subscription revenue	530.0	507.2	22.8	4.5
Mobile (b)	4.3	5.4	(1.1)	(20.4)
Total subscription revenue	534.3	512.6	21.7	4.2
B2B revenue (c)	3.6	1.3	2.3	176.9
Other revenue (b) (d)	49.9	41.4	8.5	20.5
Total	€ 587.8	€ 555.3	€ 32.5	5.9

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

(b) Mobile subscription revenue excludes mobile interconnect revenue and revenue from mobile handset sales, both of which are included in other revenue.

(c) B2B revenue includes revenue from business broadband internet, video, voice, mobile and data services offered to medium to large enterprises and, on a wholesale basis, to other operators. We also provide services to certain 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. Revenue from SOHO subscribers, which is included in subscription revenue, aggregated €11.5 million and €8.9 million during the three months ended March 31, 2017 and 2016, respectively.

(d) Other revenue includes, among other items, channel carriage fees, installation fees, mobile handset sales and interconnect fees.

The details of our revenue increase during the three months ended March 31, 2017, as compared to the corresponding period in 2016, are set forth below (in millions):

Increase in cable subscription revenue due to change in (a):	
Average number of RGUs (b)	€ 13.8
ARPU (c)	9.0
Total increase in cable subscription revenue	22.8
Decrease in mobile subscription revenue	(1.1)
Total increase in subscription revenue	21.7
Increase in B2B revenue (d)	2.3
Increase in other revenue (e)	8.5
Total	€ 32.5

(a) Subscription revenue includes revenue from multi-year bulk agreements with landlords or Professional Operators. These bulk agreements, which generally allow for the procurement of the basic video signals at volume-based discounts, provide access to approximately two-thirds of our video subscribers. Our bulk agreements are, to a significant extent, medium- and long-term contracts. As of March 31, 2017, bulk agreements covering approximately 36% of the video subscribers that we serve expire by the end of 2018 or are terminable on 30-days notice. During the three months ended March 31, 2017, our 20 largest bulk agreement accounts generated approximately 9% of our total revenue (including estimated amounts billed directly to the building occupants for digital video, broadband internet and fixed-line telephony services). No assurance can be given that our bulk agreements will be renewed or extended on financially equivalent terms, or at all.

(b) The increase in cable subscription revenue related to a change in the average number of RGUs is attributable to increases in the average number of broadband internet, fixed-line telephony and enhanced video RGUs that were only partially offset by a decline in the average number of basic video RGUs.

(c) The increase in cable subscription revenue related to a change in ARPU is attributable to (i) an improvement in RGU mix and (ii) a net increase due to (a) lower ARPU from fixed-line telephony services and (b) higher ARPU from video and broadband internet services.

(d) The increase in B2B revenue is due to higher revenue from data and voice services.

(e) The increase in other revenue is primarily due to the net effect of (i) an increase of €5.9 million in mobile handset sales, which typically generate relatively low or no margins, associated with the fourth quarter 2016 launch of a wholesale handset program, (ii) an increase in installation revenue and (iii) a decrease due to legislative developments that have reduced the fees we can charge late-paying customers. Other revenue includes fees received for the carriage of certain channels included in our basic and enhanced video offerings. This channel carriage fee revenue is subject to contracts that expire or are otherwise terminable by either party on various dates ranging from 2017 through 2020. The aggregate amount of revenue related to these channel carriage contracts represented approximately 4% of our total revenue during the three months ended March 31, 2017. No assurance can be given that these contracts will be renewed or extended on financially equivalent terms, or at all. In June 2017, we plan to discontinue analog video service. We estimate that the discontinuance of this service will reduce our channel carriage revenue and operating income by approximately €30 million annually.

OpEx

OpEx includes programming and copyright, network operations, mobile access and interconnect, mobile handset and other equipment cost of goods sold, customer operations, customer care and other costs related to our operations. Our network operating costs include significant expenses incurred pursuant to long-term agreements with Deutsche Telekom for the use of assets and other services. Programming and copyright costs, which represent the majority of our direct costs, are expected to rise 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. In addition, we are subject to inflationary pressures with respect to our staff-related and other costs. Any cost increases that we are not able to pass on to our subscribers through rate increases would result in increased pressure on our operating margins.

The details of our OpEx costs are as follows:

	Three months ended March 31,		Increase (decrease)	
	2017	2016	€	%
	in millions			
Direct costs (programming and copyright, interconnect and other)	€ 54.7	€ 49.5	€ 5.2	10.5
Network operating costs	45.5	48.6	(3.1)	(6.4)
Staff-related costs (excluding restructuring charges)	26.3	26.2	0.1	0.4
Outsourced labor and professional services	19.1	14.3	4.8	33.6
Other indirect costs	11.6	9.4	2.2	23.4
Total	€ 157.2	€ 148.0	€ 9.2	6.2

Our total OpEx increased €9.2 million or 6.2% during the three months ended March 31, 2017, as compared to the corresponding period in 2016. This increase includes the following factors:

- An increase in direct costs of €5.2 million or 10.5%, primarily due to the net effect of (i) an increase in mobile handset costs due to higher mobile handset sales volumes associated with the October 2016 launch of a wholesale handset program, (ii) a decrease in mobile access and interconnect costs, primarily attributable to lower interconnect rates and call volumes and (iii) an increase in programming and copyright costs, primarily due to the net effect of (a) higher costs for certain premium content and (b) lower licensing costs and copyright fees;

- An increase in outsourced labor and professional services of €4.8 million or 33.6%, primarily due to higher third-party call center costs; and

- A decrease in network operating costs of €3.1 million or 6.4%, primarily due to lower outsourced labor costs associated with customer-facing activities.

SG&A

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. As noted above under OpEx, we are subject to inflationary pressures with respect to our staff-related and other costs.

The details of our SG&A expenses are as follows:

	Three months ended March 31,		Increase (decrease)	
	2017	2016	€	%
	in millions			
Staff-related costs (excluding restructuring charges)	€ 31.4	€ 23.6	€ 7.8	33.1
Sales and marketing costs	24.3	26.4	(2.1)	(8.0)
Outsourced labor and professional services	4.3	4.1	0.2	4.9
Other indirect costs	10.0	11.1	(1.1)	(9.9)
Total	€ 70.0	€ 65.2	€ 4.8	7.4

Our total SG&A increased €4.8 million or 7.4% during the three months ended March 31, 2017, as compared to the corresponding period in 2016. This increase includes the following factors:

- An increase in staff-related costs of €7.8 million or 33.1%, primarily due to increased staffing levels; and
- A decrease in external sales and marketing costs of €2.1 million or 8.0%, primarily due to lower third-party sales commissions.

Related-party fees and allocations, net

We recorded related-party fees and allocations, net, of €57.2 million during the three months ended March 31, 2017, as compared to €36.8 million during the corresponding period in 2016. These amounts represent fees charged to our company that originate with Liberty Global and certain other Liberty Global subsidiaries and include charges for management, finance, legal, technology, marketing and other services that support our company's operations, including the use of the UPC trademark. For additional information, see note 10 to our condensed consolidated financial statements.

Impairment, restructuring and other operating items, net

We recognized impairment, restructuring and other operating items, net, of €9.9 million during the three months ended March 31, 2017, as compared to (€1.1 million) during the corresponding period in 2016. The amount for the 2017 period includes a provision for legal contingencies of €9.8 million, restructuring charges of €1.0 million and a €0.9 million gain on disposal of assets. The amount for the 2016 period includes a €0.9 million gain on disposal of assets.

Depreciation and amortization expense

Depreciation and amortization expense decreased €0.6 million or 0.3% during the three months ended March 31, 2017, as compared to the corresponding period in 2016. This decrease is 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, (ii) a decrease in accelerated depreciation related to the disposal of certain assets in the prior year period, (iii) a decrease associated with certain assets becoming fully depreciated and (iv) an increase in the amortization of subscriber acquisition costs.

Net financial and other expense

Our net financial and other expense primarily includes interest expense, interest income, foreign currency transaction gains or losses, realized and unrealized gains or losses on derivative instruments and losses on debt modification and extinguishment. As further detailed below, we recorded net financial and other expense of €54.4 million during the three months ended March 31, 2017, as compared to €90.2 million during the corresponding period in 2016.

Interest expense – third-party

Interest expense – third-party increased €3.7 million or 4.1% during the three months ended March 31, 2017, as compared to the corresponding period in 2016, primarily due to the net effect of (i) a higher average outstanding third-party debt balance and (ii) a lower weighted average interest rate. We have completed various financing transactions that have lowered average interest rates and extended debt maturities. For additional information regarding our outstanding indebtedness, see note 8 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

Interest expense – related-party increased €0.5 million or 8.8% during the three months ended March 31, 2017, as compared to the corresponding period in 2016, primarily due to the net effect of (i) a higher average outstanding related-party debt balance and (ii) a lower weighted average interest rate. Our related-party interest expense relates to (a) our shareholder loan payable to UPC Germany, the 2010 Shareholder Loan, and (b) the 2015 UMI Loan, which was settled during the first quarter of 2017. For additional information, see note 10 to our condensed consolidated financial statements.

Foreign currency transaction gains, net

We recognized foreign currency transaction gains, net, of €33.4 million and €105.0 million during the three months ended March 31, 2017 and 2016, respectively. These amounts primarily relate to the remeasurement of our U.S. dollar-denominated indebtedness.

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

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

Our realized and unrealized gains (losses) on derivative instruments, net, were €2.5 million during the three months ended March 31, 2017, as compared to (€103.3 million) during the corresponding period in 2016. The gain during the three months ended March 31, 2017 is attributable to the net effect of (i) gains associated with increases in the market interest rates in the U.S. dollar market, (ii) gains associated with a decrease in the value of the U.S. dollar relative to the euro and (iii) losses associated with increases in market interest rates in the euro market. In addition, the gain during the three months ended March 31, 2017 includes a net gain of €15.4 million resulting from changes in our credit risk valuation adjustments. The loss during the three months ended March 31, 2016 is 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 decreases in the market interest rates in the U.S. dollar market and (c) losses associated with decreases in market interest rates in the euro market. In addition, the loss during the three months ended March 31, 2016 includes a net gain of €0.1 million 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.

Losses on debt modification and extinguishment, net

We recognized a loss on debt modification and extinguishment, net, of €3.9 million during the three months ended March 31, 2016, attributable to (i) the payment of €3.1 million of redemption premiums and (ii) the write-off of €0.8 million of deferred financing costs.

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

Income tax expense

We recognized income tax expense of €18.8 million and €9.9 million during the three months ended March 31, 2017 and 2016, respectively.

The income tax expense during the three months ended March 31, 2017 and 2016 differs from the expected income tax expense of €8.6 million and €0.9 million, respectively (based on the German group income tax rate of 32.78%), primarily due to the negative impact of certain permanent differences between the financial and tax accounting treatment of interest and other items.

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

Net earnings (loss)

We reported net earnings (loss) of €7.5 million and (€7.1 million) during the three months ended March 31, 2017 and 2016, 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 Adjusted Segment EBITDA 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) impairment, restructuring and other operating items, (d) depreciation and amortization, (e) net financial and other expenses and (f) income tax expenses.

Subject to the limitations included in our various debt instruments, we expect that Liberty Global will continue to 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 regarding 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 regarding the reasons for changes in specific line items in our condensed consolidated statements of operations, see the above discussion.

Material Changes in Financial Condition

Sources and Uses of Cash

Cash and cash equivalents

Although our consolidated operating subsidiaries generate cash from operating activities, the terms of our subsidiaries' debt instruments restrict our ability to access the liquidity of these subsidiaries. At March 31, 2017, substantially all of our consolidated cash and cash equivalents was held by our subsidiaries. In addition, our ability to access the liquidity of our subsidiaries may be limited by tax and legal considerations or other factors.

Liquidity of Unitymedia

Our sources of liquidity at the parent level include (i) our cash and cash equivalents, (ii) amounts due under the 2012 UPC Germany Loan Receivable, the 2015 UPC Germany Loan Receivable and the 2016 UPC Germany Loan Receivable, (iii) funding from UPC Germany (and ultimately from Liberty Global or other Liberty Global subsidiaries) in the form of loans or contributions, as applicable, and (iv) subject to certain restrictions as noted above, proceeds in the form of distributions or loans from Unitymedia Hessen, Unitymedia NRW GmbH (**Unitymedia NRW**, Unitymedia BW GmbH (**KBW**) or other subsidiaries.

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

Liquidity of Unitymedia Hessen, Unitymedia NRW, KBW and our other operating subsidiaries

In addition to cash and cash equivalents, the primary sources of liquidity of Unitymedia Hessen, Unitymedia NRW, KBW and our other operating subsidiaries is cash provided by operations and, in the case of Unitymedia Hessen and Unitymedia NRW, any borrowing availability under the Unitymedia Revolving Credit Facilities. At March 31, 2017, we had aggregate borrowing capacity of €500.0 million under the Unitymedia Revolving Credit Facilities. For information regarding our borrowing availability under the Unitymedia Revolving Credit Facilities, see note 8 to our condensed consolidated financial statements.

The liquidity of Unitymedia Hessen, Unitymedia NRW, KBW and our other operating subsidiaries is generally used to fund capital expenditures, debt service requirements and other liquidity requirements that may arise from time to time. For additional information regarding our consolidated cash flows, see the discussion under *Condensed Consolidated Statements of Cash Flows* below. Our subsidiaries may also require funding in connection with (i) the repayment of outstanding debt, (ii) acquisitions and other investment opportunities or (iii) distributions or loans to Unitymedia (and ultimately to Liberty Global or other Liberty Global subsidiaries). No assurance can be given that any external funding would be available to our subsidiaries on favorable terms, or at all.

Capitalization

At March 31, 2017, our outstanding consolidated third-party debt before fair value adjustments, deferred financing costs and accrued interest, together with our finance lease obligations, aggregated €7,602.7 million, substantially all of which is not due until 2022 or thereafter.

Our ability to service or refinance our debt and to maintain compliance with our leverage covenants is dependent primarily on our ability to maintain or increase our Covenant EBITDA and to achieve adequate returns on our property, equipment and intangible asset additions and acquisitions. Our ability to maintain or increase cash from our operations will depend on our future operating performance, which is in turn dependent, to some extent, on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond our control. In addition, our ability to obtain additional debt financing is limited by the leverage covenants contained in our and our subsidiaries' various debt instruments. In this regard, if our Covenant EBITDA were to decline, we could be required to repay or limit our borrowings under the Unitymedia Revolving Credit Facilities in order to maintain compliance with applicable covenants. No assurance can be given that we would have sufficient sources of liquidity, or that any external funding would be available on favorable terms, or at all, to fund any such required repayment.

We believe that our cash and cash equivalents, together with our other sources of liquidity described above, will be sufficient to fund our currently anticipated working capital needs, capital expenditures and debt service requirements during the next 12 months, although no assurance can be given that this will be the case. However, as our 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.

Condensed Consolidated Statements of Cash Flows

Summary. Our condensed consolidated statements of cash flows for the three months ended March 31, 2017 and 2016 are summarized as follows:

	Three months ended March 31,		
	2017	2016	Change
		in millions	
Net cash provided by operating activities	€ 313.7	€ 283.1	€ 30.6
Net cash used by investing activities	(287.5)	(237.8)	(49.7)
Net cash used by financing activities	(27.2)	(44.8)	17.6
Net increase (decrease) in cash and cash equivalents	€ (1.0)	€ 0.5	€ (1.5)

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

Investing Activities. The increase in net cash used by our investing activities is primarily attributable to (i) an increase in cash used of €32.3 million associated with higher capital expenditures and (ii) an increase in cash used of €17.7 million to fund advances to UPC Germany.

The capital expenditures that we report in our condensed consolidated statements of cash flows do not include amounts that are financed under capital-related vendor financing or finance lease arrangements. Instead, these amounts are reflected as non-cash additions to our property, equipment and intangible assets when the underlying assets are delivered and as repayments of debt when the principal is repaid. In this discussion, we refer to (i) our capital expenditures as reported in our condensed consolidated statements of cash flows, which exclude amounts financed under capital-related vendor financing or finance lease arrangements, and (ii) our total property, equipment and intangible asset additions, which include our capital expenditures on an accrual basis and amounts financed under capital-related vendor financing or finance lease arrangements. For further details regarding our property, equipment and intangible asset additions and our debt, see notes 6 and 8, respectively, to our condensed consolidated financial statements. A reconciliation of our consolidated property, equipment and intangible asset additions to our consolidated capital expenditures as reported in our condensed consolidated statements of cash flows is set forth below:

	Three months ended March 31,	
	2017	**2016**
	in millions	
Property, equipment and intangible asset additions	€ 162.2	€ 137.4
Assets acquired under capital-related vendor financing arrangements and finance lease obligations	(48.9)	(36.5)
Changes in liabilities related to capital expenditures (including related-party amounts)	8.7	(11.2)
Capital expenditures	€ 122.0	€ 89.7

The increase in our property, equipment and intangible asset additions is primarily due to (i) an increase in expenditures for the purchase and installation of customer premises equipment and (ii) an increase in expenditures for new build and upgrade projects to expand services. In terms of the composition of our property, equipment and intangible asset additions during the three months ended March 31, 2017, (a) 36% relates to the rebuild and upgrade of our distribution network, (b) 27% relates to the purchase and installation of customer premises equipment, (c) 16% relates to capitalized third-party commissions and (d) the remainder relates to other expenditures, including product innovation and general support systems.

Financing Activities. The decrease in net cash used by our financing activities is primarily attributable to the net effect of (i) a decrease in cash used of €117.3 million due to lower net repayments of third-party debt and finance lease obligations, (ii) an increase in cash used of €108.2 million due to a change in cash collateral, (iii) a decrease in cash used of €4.6 million related to lower net repayments of related-party debt and (iv) a decrease in cash used of €3.9 million associated with lower payments of financing costs and debt premiums.

Projected Cash Flows Associated with Derivative Instruments

The following table provides information regarding the projected cash flows associated with our derivative instruments at March 31, 2017. The euro equivalents presented below are based on interest rates and exchange rates that were in effect as of March 31, 2017. These amounts are presented for illustrative purposes only and will likely differ from the actual cash paid or received in future periods. For additional information regarding our derivative instruments, see note 4 to our condensed consolidated financial statements.

	Receipts due during:							
	Remainder of 2017	**2018**	**2019**	**2020**	**2021**	**2022**	**Thereafter**	**Total**
	in millions							
Projected derivative cash receipts, net:								
Interest-related (a)	€ 22.1	€ 44.2	€ 44.2	€ 44.2	€ 44.2	€ 44.2	€ 22.1	€ 265.2
Principal-related (b)	—	—	—	—	—	—	491.3	491.3
Total	€ 22.1	€ 44.2	€ 44.2	€ 44.2	€ 44.2	€ 44.2	€ 513.4	€ 756.5

(a) Includes the interest-related cash flows of our cross-currency and interest rate swap contracts.

(b) Includes the principal-related cash flows of our cross-currency swap contracts.

Debt Maturities and Contractual Commitments

The euro equivalents of our contractual commitments as of March 31, 2017 are presented below:

	Payments due during:							
	Remainder of 2017	2018	2019	2020	2021	2022	Thereafter	Total
	in millions							
Debt (excluding interest):								
Third-party	€ 213.1	€ 32.5	€ 7.2	€ 6.8	€ 6.5	€ 532.6	€ 6,797.4	€ 7,596.1
Related-party	—	—	—	—	—	—	305.0	305.0
Finance leases (excluding interest)	1.0	1.1	0.6	0.4	0.3	0.3	2.9	6.6
Network and connectivity commitments	101.5	105.1	97.1	85.9	85.1	82.3	621.2	1,178.2
Purchase commitments (a)	145.5	29.5	29.7	28.8	—	—	—	233.5
Operating leases	11.2	12.7	12.2	10.4	9.0	8.1	25.4	89.0
Programming commitments	27.0	25.0	25.4	5.8	—	—	—	83.2
Other commitments	0.1	0.1	0.1	0.1	0.1	0.1	—	0.6
Total (b)	€ 499.4	€ 206.0	€ 172.3	€ 138.2	€ 101.0	€ 623.4	€ 7,751.9	€ 9,492.2
Projected cash interest payments on third-party debt and finance lease obligations (c)	€ 206.0	€ 367.9	€ 367.4	€ 367.2	€ 361.6	€ 361.4	€ 808.3	€ 2,839.8

(a) Includes €38.3 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 March 31, 2017 condensed consolidated balance sheet other than debt and finance lease obligations.

(c) Amounts are based on interest rates, interest payment dates, commitment fees and contractual maturities in effect as of March 31, 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 or original issue premiums or discounts. Amounts associated with related-party debt are excluded from the table.

For information concerning our debt and finance lease obligations, see note 8 to our condensed consolidated financial statements. For information concerning our contractual commitments, see note 11 to our condensed consolidated financial statements.

In addition to the commitments set forth in the table above, we have significant commitments under derivative instruments, 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 three months ended March 31, 2017 and 2016, see note 4 to our condensed consolidated financial statements.