



VodafoneZiggo Group B.V.

**Annual Report
December 31, 2016**

**VodafoneZiggo Group B.V.
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VODAFONEZIGGO GROUP B.V.

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FORWARD-LOOKING STATEMENTS

Certain statements in this annual report constitute forward-looking statements. To the extent that statements in this annual report are not recitations of historical fact, such statements constitute forward-looking statements, which, by definition, involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. In particular, statements under *Management's Discussion and Analysis of Financial Condition and Results of Operations* may contain forward-looking statements, including statements regarding our business, product, foreign currency and finance strategies in 2017, subscriber growth and retention rates, competitive, regulatory and economic factors, the timing and impacts of proposed transactions, the maturity of our market, the anticipated impacts of new legislation (or changes to existing rules and regulations), anticipated changes in our revenue, costs or growth rates, our liquidity, credit risks, foreign currency risks, target leverage levels, our future projected contractual commitments and cash flows and other information and statements that are not historical fact. Where, in any forward-looking statement, we express an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved or accomplished. In evaluating these statements, you should consider the risks and uncertainties in the following list, and those described herein, as some but not all of the factors that could cause actual results or events to differ materially from anticipated results or events:

- economic and business conditions and industry trends in the Netherlands;
- the competitive environment in the Netherlands for both the fixed and mobile markets, including competitor responses to our products and services for our residential and business customers;
- 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;
- the outcome of governmental requests for proposals related to contracts for B2B mobile communication services;
- 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, applicable laws and/or government regulations in the Netherlands and adverse outcomes from regulatory proceedings, including regulation related to interconnect rates;
- government and/or regulatory intervention that requires opening our broadband distribution networks to competitors;
- our ability to obtain regulatory approval and satisfy other conditions necessary to close acquisitions and dispositions and the impact of conditions imposed by competition and other regulatory authorities in connection with acquisitions;
- our ability to successfully acquire new businesses and, if acquired, to integrate, realize anticipated efficiencies from, and implement our business plan with respect to the businesses we have acquired or with respect to the formation of the VodafoneZiggo JV;

- changes in laws or treaties relating to taxation, or the interpretation thereof, in the Netherlands;
- 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 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 network extension programs;
- 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, including in relation to the VodafoneZiggo JV;
- the leakage of sensitive customer data;
- the outcome of any pending or threatened litigation;
- the loss of key employees and the availability of qualified personnel;
- changes in the nature of key strategic relationships with partners and joint venturers; and
- events that are outside of our control, such as political unrest in international markets, terrorist attacks, malicious human acts, natural disasters, pandemics and other similar events.

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

BUSINESS OF VODAFONEZIGGO

In this “Business of VodafoneZiggo” section, unless the context otherwise requires, the terms “we,” “our,” “our company” and “us” may refer, as the context requires, to VodafoneZiggo (or its predecessor, herein referred to as “Old Ziggo”) or collectively to VodafoneZiggo (or its predecessor) and its subsidiaries after giving effect to the common control transfers and the JV Transaction as described in notes 1 and 4, respectively, to our consolidated financial statements. Unless otherwise indicated, operational and statistical data, including subscriber statistics and product offerings, are as of December 31, 2016.

Introduction

VodafoneZiggo Group B.V. (**VodafoneZiggo**), formerly known as Ziggo Group Holding B.V., provides video, broadband internet, fixed-line telephony and mobile services to residential and business customers in the Netherlands. VodafoneZiggo’s primary subsidiaries consist of (i) Ziggo Services B.V. (**Ziggo Services**), (ii) Ziggo Holding B.V. (**Ziggo Holding**) and (iii) effective December 31, 2016 upon closing the JV Transaction, as defined and described below, Vodafone Libertel B.V. (**Vodafone NL**).

Prior to the closing of the JV Transaction, VodafoneZiggo was a wholly-owned subsidiary of Liberty Global plc (**Liberty Global**). On February 15, 2016, Liberty Global Europe Holding B.V. (**Liberty Global Europe**), a corporation organized under the laws of the Netherlands and a wholly-owned subsidiary of Liberty Global, and Vodafone International Holdings B.V., a corporation organized under the laws of the Netherlands and a wholly-owned subsidiary of Vodafone Group plc (**Vodafone**), agreed to form a 50:50 joint venture (the **VodafoneZiggo JV**) among Vodafone and Liberty Global pursuant to a Contribution and Transfer Agreement (the **Contribution Agreement**). On December 31, 2016, the formation of the VodafoneZiggo JV was completed (the **JV Transaction**) pursuant to which (i) VodafoneZiggo Group Holding B.V. (**VodafoneZiggo Group Holding**) became 50% owned by each of Liberty Global and Vodafone, (ii) VodafoneZiggo and its subsidiaries were contributed into the VodafoneZiggo JV and became wholly-owned by VodafoneZiggo Group Holding and (iii) Vodafone NL and its subsidiaries were contributed into the VodafoneZiggo JV and became wholly-owned by VodafoneZiggo.

Vodafone is one of the world’s largest telecommunications companies with 470 million mobile customers and 14.3 million fixed broadband customers. Its mobile operations span 26 countries, plus an additional 49 countries through partner arrangements with mobile networks. Its fixed broadband services are available in 17 countries. Liberty Global is the largest international video, broadband and telephony company with 25 million customers in over 30 countries. Liberty Global also services over 10 million mobile subscribers and offers WiFi services across 5 million access points.

In connection with the closing of the JV Transaction, the VodafoneZiggo JV recorded the assets and liabilities of VodafoneZiggo and Vodafone NL (the “**VodafoneZiggo JV contributed businesses**”) at fair value. Such fair values have been reflected in our consolidated financial statements following the “push down method of accounting” from the VodafoneZiggo JV. Accordingly, we have a new basis of accounting effective December 31, 2016. In our consolidated financial statements (i) the financial position as of December 31, 2015 and the results of operations and cash flows for the years ended December 31, 2016, 2015 and 2014 prior to the close of the JV Transaction are labeled “**Predecessor**” and reflect the historical accounting basis in the assets and liabilities of Old Ziggo, and (ii) the financial position as of December 31, 2016 following the close of the JV Transaction is labeled “**Successor**” and reflects the push down of the VodafoneZiggo JV’s basis of accounting in the new fair values of the assets and liabilities of the VodafoneZiggo JV contributed businesses.

In connection with the JV Transaction, on December 31, 2016, Liberty Global and Vodafone entered into a shareholders agreement (the **Shareholders Agreement**) with VodafoneZiggo Group Holding in respect of the VodafoneZiggo JV. Each of Liberty Global and Vodafone (each a “**Shareholder**”) holds 50% of the issued share capital of VodafoneZiggo Group Holding. The Shareholders Agreement contains customary provisions for the governance of a 50:50 joint venture that result in Liberty Global and Vodafone having joint control over decision making with respect to the VodafoneZiggo JV. The Shareholders Agreement provides for how the VodafoneZiggo JV is governed, including the decision-making process, access to information, dividend policy and non-compete provisions. It also provides for restrictions on transfer of interests in us and exit arrangements, as well as covenants restricting Liberty Global and Vodafone from competing with us in the Netherlands. Under the dividend policy, we are required to distribute all unrestricted cash to Vodafone and Liberty Global every two months, subject to minimum cash requirements and compliance with financing arrangements. We also entered into a framework agreement with Vodafone and Liberty Global to provide us access to each of their expertise in the telecommunications media technology business. The services provided by Vodafone and Liberty Global consist primarily of (i) technology and other services, (ii) capital-related expenditures for assets that will be used by or will otherwise benefit our operations and (iii) brand and procurement fees. Liberty Global and Vodafone charge both fixed and usage-based fees for these services. For additional information on the foregoing agreements, see note 4 to our consolidated financial statements.

The following table presents our operating statistics as of December 31, 2016:

Footprint

Homes Passed ⁽¹⁾	7,089,500
Two-way Homes Passed ⁽²⁾	7,078,100

Customer Relationships

Fixed Customer Relationships ⁽³⁾	3,978,600
RGUs per Fixed Customer Relationship	2.44

Subscribers (RGUs) ⁽⁴⁾

Basic Video ⁽⁵⁾	637,400
Enhanced Video ⁽⁶⁾	3,338,000
Total Video	3,975,400
Internet ⁽⁷⁾	3,178,200
Telephony ⁽⁸⁾	2,536,200
Total RGUs ⁽⁹⁾	9,689,800

Mobile statistics

Prepaid	1,066,000
Postpaid	4,047,100
Total mobile subscribers ⁽¹⁰⁾	5,113,100

Penetration

Enhanced Video Subscribers as a % of Total Video Subscribers ⁽¹¹⁾	84.0 %
Internet as a % of Two-way Homes Passed ⁽¹²⁾	44.9 %
Telephony as % of Two-way Homes Passed ⁽¹²⁾	35.8 %

Customer bundling

Double-play	16.7 %
Triple-play	63.4 %

(1) Homes passed are homes, residential multiple dwelling units or commercial units that can be connected to our networks without materially extending the distribution plant. Our homes passed counts are based on census data that can change based on either revisions to the data or from new census results. Due to the fact that we do not own the partner networks used in our footprint (see note 9 to our consolidated financial statements), we do not report homes passed for partner networks.

(2) Two-way homes passed are homes passed by those sections of our networks that are technologically capable of providing two-way services, including video, internet and telephony services.

(3) Customer relationships are the number of customers who receive at least one of our video, internet or telephony services that we count as revenue generating units (“RGUs”), without regard to which or to how many services they subscribe. To the extent that RGU counts include equivalent billing unit (“EBU”) adjustments, we reflect corresponding adjustments to our customer relationship counts. Customer relationships generally are counted on a unique premises basis. Accordingly, if an individual receives our services in two premises (e.g., a primary home and a vacation home), that individual generally will count as two customer relationships. We exclude mobile-only customers from customer relationships.

(4) RGU is separately a basic video subscriber, enhanced video subscriber, internet subscriber or telephony subscriber (each as defined and described below). A home, residential multiple dwelling unit, or commercial unit may contain one or more RGUs. For example, if a residential customer subscribed to our enhanced video service, fixed-line telephony service and broadband internet service, the customer would constitute three RGUs. Total RGUs is the sum of basic video, enhanced video, internet and telephony subscribers. RGUs generally are counted on a unique premises basis such that a given premises does not count as more than one RGU for any given service. On the other hand, if an individual receives one of our services in two premises (e.g., a primary home and a vacation home), that individual will count as two RGUs for

that service. Each bundled cable, internet or telephony service is counted as a separate RGU regardless of the nature of any bundling discount or promotion. Non-paying subscribers are counted as subscribers during their free promotional service period. Some of these subscribers may choose to disconnect after their free service period. Services offered without charge on a long-term basis (e.g., VIP subscribers, free service to employees) generally are not counted as RGUs. We do not include subscriptions to mobile services in our externally reported RGU counts. In this regard, our December 31, 2016 RGU counts excludes our separately-reported postpaid mobile subscribers.

- (5) Basic video subscriber is a home, residential multiple dwelling unit or commercial unit that receives our video service over our broadband network either via an analog video signal or via a digital video signal without subscribing to any recurring monthly service that requires the use of encryption-enabling technology. Encryption-enabling technology includes smart cards (as defined below), or other integrated or virtual technologies that we use to provide our enhanced service offerings. With the exception of RGUs that we count on an EBU basis, we count RGUs on a unique premises basis. In other words, a subscriber with multiple outlets in one premises is counted as one RGU and a subscriber with two homes and a subscription to our video service at each home is counted as two RGUs.
- (6) Enhanced video subscriber is a home, residential multiple dwelling unit or commercial unit that receives our video service over our broadband network or through a partner network via a digital video signal while subscribing to any recurring monthly service that requires the use of encryption-enabling technology. Enhanced video subscribers that are not counted on an EBU basis are counted on a unique premises basis. For example, a subscriber with one or more set-top boxes that receives our video service in one premises is generally counted as just one subscriber. An enhanced video subscriber is not counted as a basic video subscriber. As we migrate customers from basic to enhanced video services, we report a decrease in our basic video subscribers equal to the increase in our enhanced video subscribers. Subscribers to enhanced video services provided over partner networks receive basic video services from the partner networks as opposed to our operations.
- (7) Internet subscriber is a home, residential multiple dwelling unit or commercial unit that receives internet services over our networks, or that we service through a partner network.
- (8) Telephony subscriber is a home, residential multiple dwelling unit or commercial unit that receives voice services over our networks, or that we service through a partner network. Telephony subscribers exclude mobile telephony subscribers.
- (9) Pursuant to service agreements, we offer enhanced video, broadband internet and telephony services over networks owned by third-party cable operators (**partner networks**). A partner network RGU is only recognized if there is a direct billing relationship with the customer.
- (10) Our mobile subscriber count represents the number of active subscriber identification module (**SIM**) cards in service rather than services provided. For example, if a mobile subscriber has both a data and voice plan on a smartphone this would equate to one mobile subscriber. Alternatively, a subscriber who has a voice and data plan for a mobile handset and a data plan for a laptop (via a dongle) would be counted as two mobile subscribers. Customers who do not pay a recurring monthly fee are excluded from our mobile telephony subscriber count.
- (11) Enhanced video penetration is calculated by dividing the number of enhanced video RGUs by the total number of basic and enhanced video RGUs.
- (12) Broadband and telephony penetration is calculated by dividing the number of telephony RGUs and broadband RGUs, respectively, by the total two-way homes passed.

History

We provide video, broadband internet, fixed-line telephony and mobile services to residential and business customers in the Netherlands. Our primary subsidiaries consist of (i) Ziggo Services, (ii) Ziggo Holding and (iii) effective December 31, 2016 upon closing the JV Transaction, as defined and described below, Vodafone NL. Prior to the closing of the JV Transaction, VodafoneZiggo was a wholly-owned subsidiary of Liberty Global. On December 31, 2016, and upon closing the JV Transaction, VodafoneZiggo became a wholly-owned subsidiary of VodafoneZiggo Group Holding. VodafoneZiggo Group Holding is a newly-formed entity that was formed as a 50:50 joint venture among Vodafone and Liberty Global. Also upon completion of the JV Transaction, Vodafone NL became an indirect wholly-owned subsidiary of VodafoneZiggo. Vodafone NL and its subsidiaries operated Vodafone's mobile business in the Netherlands.

In October 2016, Old Ziggo acquired 100% of the equity of Liberty Global Content Netherlands B.V. (**Ziggo Sport**) in exchange for shares of Old Ziggo (the **Ziggo Sport Transfer**). We have reflected the Ziggo Sport Transfer at carryover basis as Ziggo Sport and Old Ziggo were under the common control of Liberty Global. Accordingly, our consolidated balance sheet as of December 31, 2015 and our consolidated statements of operations, owners' equity and cash flows for the years ended December 31, 2015 and 2014 have been retrospectively revised to give effect to the Ziggo Sport Transfer.

On November 6, 2014, Old Ziggo acquired 100% of the equity of HoldCo VI from another subsidiary of Liberty Global in exchange for shares of Old Ziggo (the **HoldCo VI Transfer**). As a result of the HoldCo VI Transfer, the following entities have been included in our consolidated financial statements for the following periods during which they were under the common control of Liberty Global: (i) from January 1, 2014 for HoldCo V, HoldCo VI and HoldCo VII, and (ii) Ziggo Holding from the Ziggo Acquisition Date, as defined below. On the date of the HoldCo VI Transfer, HoldCo VI indirectly held, through HoldCo V, all 41,329,850 shares of Ziggo Holding that Liberty Global subsidiaries had acquired from March 2013 through July 2013, net of those shares used to settle a derivative instrument. For additional information regarding HoldCo V's acquisition of Ziggo Holding shares prior to the Ziggo Acquisition, as defined and described below, see note 7 to our consolidated financial statements.

On November 11, 2014 (the **Ziggo Acquisition Date**), HoldCo V acquired a controlling interest in Ziggo Holding (the **Ziggo Acquisition**). We accounted for this transaction using the acquisition method of accounting. For additional information regarding the Ziggo Acquisition and the subsequent acquisition of additional Ziggo Holding shares, see note 5 to our consolidated financial statements.

During the first quarter of 2015, Liberty Global undertook various financing transactions in connection with certain internal reorganizations of its broadband and wireless communications businesses in Europe. As a part of these reorganizations, 100% of the shares of Ziggo Services were transferred on March 5, 2015 from UPC Western Europe Holding B.V. (**UPC Western Europe**), another subsidiary of Liberty Global, to Old Ziggo in exchange for shares of Old Ziggo (the **Ziggo Services Transfer**).

As the Ziggo Services Transfer and the HoldCo VI Transfer constitute transactions between entities under common control, we have reflected these transfers at carryover basis, and our consolidated financial statements give effect to these transfers for all periods during which (i) Old Ziggo, (ii) UPC Nederland Holding and each of its subsidiaries and (iii) HoldCo VI and each of its subsidiaries were under the common control of Liberty Global. After giving effect to the Ziggo Services Transfer, Ziggo Services is included in our consolidated financial statements for all periods presented and Ziggo Holding is included in our consolidated financial statements on and after the Ziggo Acquisition Date.

Unitymedia International GmbH (**UMI**), UPC Equipment B.V. (**UPC Equipment**) and UPC International Operations B.V. (**UPC International**) are variable interest entities that were formed for the purpose of acquiring and legally owning certain customer premises equipment assets that were leased to Ziggo Services, including certain assets that were the subject of sale and leaseback transactions. Although we had no equity or voting interest in UMI, UPC Equipment or UPC International, substantially all of the revenue of these entities was derived from Ziggo Services through December 31, 2014, and Ziggo Services had the substantive power to direct the significant activities of these entities. As such, Ziggo Services was required to consolidate UMI, UPC Equipment and UPC International through December 31, 2014. Subsequent to December 31, 2014, and in anticipation of the Ziggo Services Transfer, the leasing transactions between (i) Ziggo Services and (ii) UMI, UPC Equipment and UPC International were unwound. Accordingly, effective January 1, 2015, we no longer consolidate UMI, UPC Equipment or UPC International.

Products and Services

We provide services either individually or bundled as a package for video, broadband internet, fixed-line telephony and mobile services to residential and business customers. Our bundled services offerings include; double-play for two services, triple-play for three services and quad-play for four services.

Video Services

Our video service is one of the key foundations of our product offerings. Our cable operation offers multiple tiers of digital video programming and audio services starting with a basic video service. Subscribers to our basic video service pay a fixed monthly fee and generally receive at least 30 digital or analog video channels (including four high definition (**HD**) channels) and several digital and analog radio channels. This service also includes video-on-demand (**VoD**) access and an electronic programming guide. Because our basic digital service is unencrypted, the cost of our digital service is the same cost as the monthly fee of our analog service. We tailor our video services based on programming preferences, culture, demographics and regulatory requirements. Our channel offerings include general entertainment, sports, movies, documentaries, lifestyles, news, adult, children and ethnic and foreign channels.

We also offer a variety of premium channel packages to meet the special interests of our subscribers. For an additional monthly charge, a subscriber may upgrade to one of our extended digital tier services and receive an increased number of video and radio channels, including the channels in the basic tier service and additional HD channels. Digital subscribers may also subscribe to one or more packages of premium channels for an additional monthly charge.

To meet customer demands, we have enhanced our video services with various products that enable our customers to control when, where and how they watch their programming. These products range from digital video recorders (**DVRs**) to our multimedia home gateway system "**Ziggo TV**" (former Horizon TV), as well as various mobile applications (**apps**). Ziggo TV is a next generation multimedia home gateway (decoder box) based on a digital television platform that is capable of distributing video, voice and data content throughout the home and to multiple devices. It has a sophisticated user interface that enables customers to view and share, across multiple devices, linear channels, VoD programming and personal media content and to pause, replay and record programming. The Ziggo TV gateway can act as an internet router that allows access to digital video content available on the television via other devices, such as laptops, smart phones and tablets.

For our Ziggo TV subscribers, we offer various features and functionalities, including television apps for various online services (such as YouTube, Netflix, social platforms, sports experience, music, news and games). We also offer an online mobile app for viewing on a second screen called "**Ziggo Go**" (former Horizon Go). Ziggo Go is available on mobile devices (iOS, Android and Windows) and via an internet portal that allows video customers to view linear channels and VoD, with a substantial part of this content available outside of the home. For Ziggo TV customers, when in the home, the second screen device can act as a remote control. Additionally, through Ziggo Go, customers have the ability to remotely schedule the recording of a television program on their Ziggo TV box at home.

One of our key video services is "**Replay TV**". Replay TV records virtually all programs across numerous linear channels. The recordings are available up to seven days after the original broadcast. This allows our customers to catch-up on their favorite television shows without having to set their DVR or browse separate menus on their set-top boxes. Instead, customers can open the electronic programming guide, scroll back and replay linear programming instantly. Replay TV also allows our customers to replay a television program from the start even while the live broadcast is in progress. Replay TV is accessible through Ziggo TV or Ziggo Go. At the 2016 Content Innovation Awards, we received the Pay TV Initiative for the Year Award for our Replay TV service.

We offer pay-per-view programming through VoD giving subscribers access to thousands of movies and television series. Our subscription VoD service "**Ziggo Movies & Services**" is available for an additional fee with our basic video services and is included in our enhanced video services accessed through Ziggo TV. Our library includes over 300 movies and 3,000 television episodes. We continue to develop our VoD services to provide a growing collection of programming from local and international suppliers, such as ABC/Disney, A+E Networks, NBC/Universal, CBS/Paramount, the BBC, Warner TV and Sony, among others. For an additional monthly charge, we also offer exclusive HBO programming through our "**Movies & Services XL**" VoD service. Our VoD services, including catch-up TV, are available on a subscription basis or a transaction basis, depending on the tier of enhanced video service selected by the subscriber.

Subscribers access our enhanced video service by renting a set-top box with a smart card, or without a set-top box if a subscriber is only using our basic video service. A subscriber to our enhanced video services has the option, for an incremental monthly charge, to upgrade the standard digital set-top box to a Ziggo TV box (which has HD DVR capabilities and other additional features). In addition, expanded channel packages and premium channels and services are available for an incremental monthly fee.

WiFi and Internet Services

Connectivity is a building block for vibrant communities. Our fiber-rich broadband network is the backbone of our fixed-line business and the basis of our connectivity strategy. To meet our customers' expectations to be seamlessly connected, we are investing in our broadband network, mobile and WiFi solutions and customer premises equipment.

Internet speed is of crucial importance to our customers, as they spend more time streaming video and other bandwidth-heavy services on multiple devices. Our extensive broadband network enables us to deliver ultra high-speed internet service across our footprint. Our residential subscribers access the internet via cable modems connected to their internet capable devices, or wirelessly via a WiFi gateway device. We offer multiple tiers of broadband internet service ranging from a basic service of 40 Mbps to an ultra high-speed internet service of either 150 Mbps or 300 Mbps. The speed of service depends on the tier of service selected. In addition, by leveraging our fiber-rich broadband network, we are well positioned to deliver gigabit (**GB**) services in the Netherlands. To this end, we plan to deploy the next generation DOCSIS 3.1 technology in the future. When fully developed, we will have the potential to extend our download speeds to at least 1 Gbps. DOCSIS technology is an international standard that defines the requirements for data transmission over a cable system. Currently, our ultra high-speed internet service is based primarily on DOCSIS 3.0 technology.

Our internet service generally includes email, address book and parental controls. We offer value-added broadband services for an incremental charge. These services include security (e.g., anti-virus, anti-spyware, firewall and spam protection) and online storage solutions and web spaces. We offer mobile broadband services with internet access as described above. Subscribers to our internet service pay a monthly fee based on the tier of service selected. In addition to the monthly fee, customers pay an activation service fee upon subscribing to an internet service. This one-time fee may be waived for promotional reasons. We determine pricing for each different tier of internet service through an analysis of speed, market conditions and other factors.

On May 31, 2016, we introduced the "**Connect Box**", a dedicated connectivity device that delivers superior in-home WiFi coverage. The Connect Box is our next generation WiFi and telephony gateway that enables us to maximize the impact of our ultrafast broadband networks by providing reliable wireless connectivity anywhere in the home. It has an automatic WiFi optimization function, which selects the best possible wireless frequency at any given time. This gateway can be self-installed and allows customers to customize their home WiFi service. Robust wireless connectivity is increasingly important with our customers spending more and more time using bandwidth-heavy services on multiple devices.

We have deployed community WiFi via routers in the home (the **Community WiFi**), which provides secure access to the internet for our customers. Community WiFi is enabled by a cable modem WiFi access point (**WiFi modem**), the Connect Box, or the Ziggo TV box of our internet customers. The Community WiFi is created through the sharing of access to the public channel of our customers' home wireless routers. Use of the Community WiFi does not affect the internet speeds of our customers. The public channel is a separate network from the secure private network used by the customer within the home and is automatically enabled when the WiFi modem is installed. Access is free for our internet customers. Our customers also have access to an extensive network of public WiFi access points, (covering stadiums, shopping centers and other public places). We are expanding our Community WiFi through access points covering public places. At December 31, 2016, we had approximately two million WiFi access points in our footprint. In addition, our internet customers have access to the Community WiFi in other European countries through an arrangement with Liberty Global.

Mobile Services

Mobile services are another key building block for us to provide customers with seamless connectivity. Prior to closing of the JV Transaction, we offered voice and data mobile services through a mobile virtual network operator (**MVNO**) agreement with Vodafone NL. Following the closing of the JV Transaction, we offer mobile services as a mobile network operator. We provide our mobile services nationwide through our long-term evolution wireless services, also called "4G" (referred to herein as **LTE**), as well as our 2G and 3G networks. We have over 5,000 base stations with over 95% of them capable of high capacity transmission. This allows us to provide reliable high speed data transmission and ample data capacity in and out of the home. Our mobile customers are able to call, text, access the internet, stream music and watch videos both in the home and out of the home. We also provide mobile wholesale access services, hosting several MVNOs on our networks.

Currently our Old Ziggo mobile subscribers pay varying monthly fees depending on whether the mobile service is combined with our fixed-line telephony service or includes mobile data services via mobile phones, tablets or laptops. We offer our customers the option to purchase mobile handsets. We typically charge a one-time activation fee to our customers for each SIM card. Our mobile services typically include voice, short message service (**SMS**) and internet access. Calls, both within and out of network, incur a charge or are covered under a postpaid monthly service plan. Our mobile services are primarily on a postpaid basis with customers subscribing to services for periods ranging from activation for a SIM-only contract to up to 24 months, with the latter often taken with a subsidized mobile handset. Our postpaid service is offered without a minimum contract term. We also offer a

prepaid service, where the customers pay in advance for a pre-determined amount of airtime or data and generally have no minimum contract term. The subscribers of Old Ziggo who purchase double-or triple-play bundles receive a discount on their mobile service fee.

Fixed-line Telephony Services

Multi-feature telephony services are available through voice-over-internet-protocol (**VoIP**) technology. We pay interconnect fees to other telephony and internet providers when calls by our subscribers terminate on another network and receive similar fees from providers when calls by their users terminate on our network through interconnection points.

Our telephony service may be selected in combination with one or more of our other services. Our telephony service includes a basic fixed-line telephony product for line rental and various calling plans, which may consist of any of the following: unlimited network, national or international calling, unlimited off-peak calling and minute packages, including calls to fixed and mobile phones. We also offer value added services, such as a personal call manager, unified messaging and a second or third phone line at an incremental cost.

Business Services

In addition to our residential services, we offer business services. For business and public sector organizations, we provide a range of voice, advanced data, video, wireless and cloud-based services, as well as mobile and converged fixed-mobile services. Our business customers include SOHO (generally fewer than 20 employees), small businesses and medium and large enterprises. We also provide our services, and in particular mobile services, on a wholesale basis to other operators.

Our business services are designed to meet the specific demands of our business customers with a wide range of services, including increased data transmission speeds and virtual private networks. These services fall into six broad categories:

- mobile services, including calls, SMS and wireless data anywhere in the world;
- VoIP telephony, hosted private branch exchange solutions and conferencing options;
- data services for internet access, virtual private networks, high capacity point-to-point services and managed WiFi networks;
- video programming packages and select channel lineups for targeted industries;
- value added services, including webhosting, managed security systems and storage and cloud enabled software; and
- unified communication combining both mobile and fixed-line services custom-made to meet our business customers' requirements.

Our business services are provided to customers at contractually established prices based on the size of the business, type of services received and the volume and duration of the service agreement. SOHO and small business customers pay business market prices on a monthly subscription basis to receive enhanced service levels and business features that support their needs. For more advanced business services, these customers generally enter into a service agreement. For medium to large business customers, we enter into individual agreements that address their needs. These agreements are generally for a period of at least one year.

Operations

Marketing and Sales

We market and sell our products to customers using a broad range of sales channels, primarily online sales through our website, inbound and outbound telemarketing and partner retailers. We also sell our services direct to the customers at certain marketing events and through our own retail stores: 215 Vodafone NL stores and 13 Old Ziggo stores.

We encourage customers to purchase our services and products through our website. We believe our website provides customers a clear explanation of our services and pricing. We currently outsource our inbound and outbound telemarketing operations to external service providers. We also have exclusive stores and partner shops in various cities in our footprint. We further target residential customers through partnerships with retail outlets, such as multi-media retailers, electronics and telecommunications stores. The sales through these partnerships generally focus on enhanced video services. We recently signed a new shop-in-shop partnership agreement with the largest electronic retailer in the Netherlands (Media Market), extending our retail presence by 49 locations in the second half of 2016.

For our business sales, we have a team of dedicated in-house sales support managers who work exclusively with our key account customers. These managers develop and cultivate close working relationships with our key account customers and work with residential sales teams to generate customer sales leads and increase retention of existing customers. Furthermore, we also work with external business partners who sell our products and services to small and medium customers as well as manage these customer relationships.

Customer Service

Our customer service operations are responsible for all customer care activities, including handling customer queries and complaints. Their focus is on developing and enhancing customer lifetime management as well as offline and online marketing integration. Customer service also provides inbound telemarketing and sales support functions for residential and SOHO customers. To reduce our customer service call volume, we utilize an online customer web service, 'Ziggo Community'. In addition, we utilize an automated voice response center and social media like Twitter and Facebook to reduce customer call volume. We also operate dedicated customer service centers throughout the Netherlands.

Our customer service agents are skilled in multiple areas, including marketing campaigns, customer care and sales for a variety of products as well as technical service. All of our customer services agents are regularly trained in soft skills and on new product offerings. We also have a specialized team for sales and customer care in relation to our business services and also teams specifically focusing on customer retention as well as complaint management.

We are required to operate a "switch desk", which enables customers to transition between different television, internet access and telephony (including mobile) service providers with minimal disruption to their service.

Network and Technology

Our video, broadband internet and fixed-line telephony services are transmitted over a hybrid fiber coaxial cable network. This network is composed of national and regional fiber networks, which are connected to the home over the last few hundred meters by coaxial cable. This network allows for two-way communications and is flexible enough to support our current services, as well as new services.

We also provide our services over certain partner networks. We offer this service on an exclusive and non-exclusive basis to small cable network owners who have not developed the capability to offer premium products, such as digital video, broadband internet and telephony. The 7.1 million homes passed on our network exclude homes reached by a partner network.

We closely monitor our network capacity and customer usage. Where necessary, we increase our capacity incrementally, for instance by splitting nodes in our network. We also continue to explore new technologies that will enhance our customer's connected entertainment experience, such as:

- recapturing bandwidth and optimizing our networks by increasing the number of nodes in our markets and using digital compression technologies;
- increasing the bandwidth of our hybrid fiber coaxial cable network to 1GHz;
- enhancing our network to accommodate additional business services;
- using wireless technologies to extend our services outside the home;
- offering remote access to our video services through personal computers, smart phones and tablets; and
- expanding the availability of Ziggo TV and related products and developing and introducing online media sharing and streaming or cloud based video.

To deliver our mobile services, we acquire mobile spectrum licenses for various radio frequencies. Vodafone NL has steadily increased its mobile spectrum licenses holdings to boost network quality and its capacity to carry more data. As of December 31, 2016, we had over 5,000 base stations in the Netherlands of which approximately 95% were connected with high capacity transmission. High capacity transmission allows us to provide customers with broad coverage both indoors and outdoors, a reliable connection, high speed data transmission and ample data capacity. We continue to evaluate and acquire additional mobile spectrum licenses and extend our licenses, enabling us to expand our network quality and capacity. The majority of our mobile spectrum licenses expire in 2030 and the license for the 2100 MHz used for 3G purposes expires in 2020. The Dutch Government is planning to re-auction the 2100 MHz license used by Vodafone NL for 3G purposes during 2019, as well as licenses for the 700 and 1400 MHz bands.

Supply Sources

For our video services, we license most of our programming and on-demand offerings from content providers and third-party rights holders, including broadcasters and cable programming networks. For such licenses, we generally pay a monthly fee on a per channel or per subscriber basis with minimum pay guarantees in certain cases. We generally enter into long-term programming licenses with volume discounts and marketing support. For on-demand programming, we generally enter into shorter-term agreements and also pay royalties based on our subscribers' usage. For our distribution agreements, we seek to include the rights to offer the licensed programming to our customers through multiple delivery platforms and through our apps for smart phones and tablets. In addition, we own the Ziggo Sports Channel, which provides exclusive full coverage of the Premier League and other leading sports events to our video customers.

We purchase each type of customer premises equipment from a number of different suppliers. Customer premises equipment includes set-top boxes, WiFi routers, DVRs, tuners, modems and similar devices. For each type of equipment, we retain specialists to provide customer support. Similarly we use a variety of suppliers for mobile handsets to offer our customers taking mobile services.

We license software products, including email and security software, and content, such as news feeds, from several suppliers for our internet services. The agreements for these products require us to pay a per subscriber fee for software licenses and a share of advertising revenue for content licenses. For our mobile network operations and our fixed-line telephony services, we license software products, such as voicemail, text messaging and caller ID, from a variety of suppliers. For these licenses, we seek to enter into long-term contracts, which generally require us to pay based on usage of the services.

Competition

The Netherlands market for video, broadband internet, fixed-line telephony and mobile services is highly competitive and rapidly evolving. Technological advances and product innovations have increased and are likely to continue to increase giving customers several options for the provision of their telecommunications services. Our customers want access to high quality telecommunication services that allow for seamless connectivity. Accordingly, our ability to offer converged services (video, internet, fixed telephone and mobile) is a key component of our strategy. We compete with companies that provide fixed-mobile convergence bundles, as well as companies that are established in one or more communication products and services. Consequently, our business faces significant competition.

For all our services, we compete with the provision of similar services from the incumbent telecommunications operator Koninklijke KPN N.V. (**KPN**) and others offering their services over KPN's network, such as pan-European operators Tele2 Netherlands Holding B.V. (**Tele2**), T-Mobile Netherlands B.V. (**T-Mobile**) and smaller parties. KPN and other competitors using KPN's network offer (i) internet protocol television (**IPTV**) over fiber optic lines where the fiber is to the home, cabinet, or building or to the node networks (fiber-to-the-home/-cabinet/-building/-node is referred to herein as **FTTx**) networks and through broadband internet connections using DSL or very high-speed DSL technology (**VDSL**), KPN's network also offers several enhancements to VDSL, such as "vectoring" and "pair bonding", (ii) digital terrestrial television (**DTT**), and (iii) LTE services. Where KPN has enhanced its VDSL system, it allows for offers of broadband internet with download speeds of 100 Mbps or 200 Mbps and on its FTTx networks, it allows for download speeds of up to 500 Mbps. The ability of competitors to offer a bundled triple-play of video, broadband internet and telephony services and fixed-mobile convergence services, creates significant competitive pressure on our operations, including the pricing and bundling of our video products. The video services of competitors include many of the interactive features we offer our subscribers (e.g. KPN is currently testing a new set-top box that is expected to enhance the video experience for its customers). In addition, KPN has its own over-the-top (**OTT**) video service. Portions of our network have been overbuilt by KPN's and other providers' FTTx networks and expansion of these networks is expected to continue.

We also experience competition from (i) direct-to-home satellite (**DTH**) service providers, such as Canal Digital, a subsidiary of M7 Group S.A.; (ii) OTT video content aggregators utilizing our or our competitors' high-speed internet connections and (iii) movie theaters, video stores, video websites and home video products. In addition, we compete to varying degrees with other sources of information and entertainment, such as online entertainment, newspapers, magazines, books, live entertainment/ concerts and sporting events. Free-to-air television is not a significant competitive factor because the Netherlands is predominately a pay television market.

We compete with KPN, T-Mobile and Tele2 in the mobile market where overall pressure on market price continues, characterized by aggressive promotion campaigns, heavy marketing spend and increasing (data) bundles. Furthermore, there is increasing competition from MVNOs who focus on certain niche segment such as no frill, youth or ethnic markets. While in the business market, we see growing customer requirement to provide unified communication solution with focus on employee mobility, seamless fixed and mobile transition and digital workspace.

Changes in market share are driven primarily by the combination of price and quality of services provided. To improve our competitive position, we continuously monitor and update our portfolios for our double- and triple-play offers. Our triple-play bundle is used as a means of driving video, as well as other products, where convenience and price can be leveraged across the portfolio of services. Consumers are, however, increasingly moving to mobile services. To address this trend, we are developing fixed-mobile convergence offers, which we plan to launch in Spring of 2017. We estimate that approximately 20% of Old Ziggo internet customers receive postpaid mobile services from Vodafone NL.

The bundle options, plus fixed-mobile convergence options, will give our subscribers the ability to select various combinations of services to meet their needs. Our competitive strategy with respect to our services includes:

- Video services: We include Ziggo TV, Replay TV and Movies & Series in our extended digital video tier offers. Ziggo Go is also available, providing subscribers the ability to watch linear and VoD programming through a second screen application on smart phones, tablets and laptops and to record programs remotely. In addition, we continue to improve the quality of our programming and modify our video options by offering attractive content packages.
- Mobile services: We offer a wide range of LTE mobile products and are expanding our Community WiFi network. We also continue to seek additional bandwidth to deliver LTE services and provide increased capacity to our subscribers.
- Broadband internet services: We promote our speeds of up to 300 Mbps and we seek to increase the maximum speed of our connections by fully utilizing the technical capabilities of DOCSIS 3.0 technology of our cable system. We expect the internet speeds on our network to increase with the deployment of our next generation gateways that will enable DOCSIS 3.1 on our cable networks.
- Fixed-line telephony services: We position our services as “anytime”, “anywhere” and “any destination” and offer a variety of innovative calling plans to meet the needs of our customers, such as national or international calling, unlimited off-peak calling and minute packages, including calls to fixed and mobile phones.

Regulatory Matters

For a description of current regulatory developments in the Netherlands, which will affect our operations, see “Regulatory” in this annual report.

Other

In addition to the foregoing items, we have contingent liabilities related to (i) legal proceedings, (ii) wage, property, sales and other tax issues, (iii) disputes over interconnection fees and (iv) other matters arising in the ordinary course of business. We expect that the amounts, if any, which may be required to satisfy these contingencies will not be material in relation to our financial condition or results of operation.

REGULATORY

Overview

The following section provides a summary of certain of our regulatory requirements and obligations in the Dutch market. This description is not intended to be a comprehensive description of all regulation in this area nor a review of specific obligations which have been imposed on us. Adverse regulatory developments could subject our business to a number of risks. Regulation could limit growth, revenue and the number and types of services offered and could lead to increased operating costs and capital expenditures. In addition, regulation may restrict our operations and subject them to further competitive pressure, including pricing restrictions, interconnect and other access obligations, and restrictions or controls on content. Failure to comply with current or future regulation could expose our businesses to penalties.

The video distribution, broadband internet, fixed-line telephony and mobile businesses are regulated at the European Union (E.U.) level. In the Netherlands, these regulations are implemented through the Telecommunicatiewet (the Dutch Telecommunications Act, “DTA”) and the Mediawet (the Dutch Media Act, “DMA”) and related legislation and regulations. The Authority for Consumers and Markets (“ACM”, Autoriteit Consument & Markt)-in which the former Independent Post and Telecommunications Authority (“OPTA”, Onafhankelijke Post en Telecommunicatie Autoriteit) has been integrated, and the Dutch Radiocommunications Agency (“AT”, Agentschap Telecom) supervise and enforce compliance with certain parts of the DTA. Pursuant to the DTA, the ACM is designated as a National Regulatory Authority (“NRA”). The Dutch Media Authority (“CvdM”, Commissariaat voor de Media) is authorized to enforce compliance with the DMA.

In addition to complying with industry specific regimes, we must comply with both specific and general legislation concerning, among other areas, competition, data protection, data retention, internet service provider liability, consumer protection and e-commerce.

European Union

On May 6, 2015, the European Commission published its Digital Single Market (“DSM”) strategy document. The strategy is an aggregation of many different policy areas under a united banner of creating a digital single market in order to expand jobs and stimulate growth and-in order to stem the rise of anti-Europe parties in many E.U. Member States-to demonstrate to E.U. citizens that the European Commission is delivering results for them.

The strategy includes policy reviews in the areas of E.U. electronic communications regulation, broadcasting law, copyright reform and addressing anti-competitive geo-blocking practices. Proposed legislation reforming the E.U. communications and broadcasting regulations is anticipated during the course of 2016.

On September 14, 2016 the E.U. Commission published a proposal for the European Electronic Communications Code, replacing the Regulatory Framework. The proposal recognizes the need for greater incentives to boost private sector investment in very high capacity networks. The proposal maintains the key elements of the Regulatory Framework - notably market analysis with remedies only being imposed on operators with Significant Market Power. The proposal captures all types of services that are relevant to consumers, not only the traditional electronic communications services as captured under the Regulatory Framework but also OTT services. The proposal brings greater harmonization to the timetables for spectrum licensing and renewal that will encourage investment in mobile networks and will result in more advanced services. The adoption of the proposal for the European Electronic Communications Code and its implementation in national laws by Member States is not expected before Q3 2018.

The body of E.U. law that deals with electronic communications regulation consists of a variety of legal instruments and policies (collectively referred to as the “**Regulatory Framework**”). The key elements of the Regulatory Framework are various legal measures, which we refer to as “Directives,” that require the E.U.’s Member States to harmonize their laws as well as certain E.U. regulations that have effect without any specific adoption at the national level. The main Directives within the Regulatory Framework are the so-called Framework Directive, Access Directive, Authorisation Directive, Universal Service Directive and e-Privacy Directive. The main regulations are the Net Neutrality and Roaming Regulations.

The Regulatory Framework primarily seeks to create an internal market for electronic communication networks and services within the E.U. It harmonizes the rules within the E.U. for the establishment and operation of electronic communications networks, and the offer of electronic communications services, such as telephony, internet and, to some degree, television services. The Regulatory Framework does not generally address issues of content.

The operation of broadcasting networks and the distribution of broadcasting signals by a cable operator falls within the scope of the Regulatory Framework. The content related activities of a broadcaster are harmonized by other elements of E.U. law, in particular the Audiovisual Media Services Directive (“AVMS”). The AVMS, which was adopted on December 11, 2007, amended

the E.U.'s existing Television Without Frontiers Directive ("TVWF"). The AVMS has been implemented in the Netherlands through the DMA. Under the AVMS, broadcasts originating in and intended for reception within an E.U. Member State must generally respect the laws of that Member State. Pursuant to both the AVMS and TVWF, and in accordance with what is referred to as the "country of origin principle", an E.U. Member State must furthermore allow within its territory the free transmission of broadcast signals of a broadcaster established in another E.U. Member State so long as such broadcaster complies with the laws of its home state. The AVMS also establishes quotas for the transmission of European-produced programming and programs made by European producers who are independent of broadcasters.

The Netherlands

The DTA comprises a wide variety of rights and obligations relevant to the provision of public electronic communications networks and services. Certain key provisions included in the DTA are described below, but this description is not intended to be a comprehensive description of all regulations in this area.

Licensing

The DTA contains a system of general authorizations. A provider of a public electronic communications network or service needs to notify the ACM of its network or service, who will register the notification. The purpose of the notification is to increase transparency and to ensure effective regulation and does not constitute a formal condition for market entry.

With regard to scarce resources such as telephone numbers and frequencies, a system of (individual) licenses applies. The ACM administers licenses with regard to telephone numbers. AT administers the frequency spectrum and grants licenses with regard to the use of frequencies. Licenses for frequencies are issued upon application, either on a first-come-first-serve basis, beauty contest or auction. A frequency license confers the right to use a specific set of frequencies in a specific band for a specific period of time and under specific conditions, such as coverage obligations. Frequency licenses are transferable with permission from the Minister of Economic Affairs. In addition to one-off license fees, holders of licenses have to pay annual supervision costs, based on the amount of spectrum held. We hold licenses for 2G GSM mobile communications (800, 900 and 1800 MHz bands), 3G UMTS communications (2100 MHz band) and 4G LTE communications (2600 MHz band) in the Netherlands. With the exception of the 3G license for the 2100 MHz band, our licenses will expire in 2030. The 3G license for the 2100 MHz will expire in 2020. The Dutch Government is planning to re-auction the 2100 MHz license we use for 3G purposes during 2019, as well as licenses for the 700 and 1400 MHz bands. As of December 31, 2016, we hold approximately 30% of the total mobile spectrum licenses in the Netherlands, which are used to deliver mobile services.

Access, Interoperability and Interconnection

All providers of public electronic communications networks or services who control access to end-users are obliged to enter into negotiations upon the request of a competitor to conclude an interoperability agreement. Interoperability refers to all measures, including network interconnection, which should be implemented to ensure end-to-end connections. If a provider does not comply with its obligation to enter into negotiations, the ACM, at the other party's request, can impose proportionate obligations on the provider in order to ensure end-to-end connectivity.

Significant Market Power

To ensure that the telecommunications markets become genuinely competitive, the ACM can impose ex ante regulation by means of market analysis decisions on operators or service providers that have significant market power in a relevant market. Ex ante regulation means that the ACM sets behavioral rules beforehand with which providers with significant market power must comply. A company will be deemed to have significant market power if, either individually or jointly with others, it enjoys a market position equivalent to dominance, i.e., a position of economic strength affording it the power to behave to an appreciable extent independently of competitors, customers and ultimately consumers.

Before it can be established whether an operator or service provider has significant market power, the ACM needs to determine, in accordance with the principles of general European competition law, in which relevant electronic communications market(s) the operator or service provider competes. The ACM must do this while taking into account the European Commission's "Recommendation on relevant product and service markets within the electronic communications sector", the latest version of which was published by the European Commission on October 9, 2014. The ACM may also define additional relevant markets provided that any such market meets the cumulative criteria defined by the European Commission in its so called three criteria test for determining whether a market is susceptible to ex ante regulation.

If the ACM determines that a company has significant market power, the ACM must impose one or more appropriate obligations. These obligations relate to, among other things, access and use of specific network facilities, non-discrimination,

transparency and price regulation at both the wholesale and retail level. To ensure a proper functioning of the market, these obligations may not be disproportionate. The investigation of a relevant market, the designation of parties with significant market power and the imposition of ex ante obligations culminate in so-called market analysis decisions of the ACM. These decisions normally apply for a period of three years, after which the market concerned needs to be re-investigated.

The ACM has completed various rounds of market analyses. Old Ziggo is designated as a party with significant market power on the market for fixed terminating access services and Vodafone NL is designated as a party with significant market power for both the fixed terminating and mobile terminating access markets. The analyses in respect of these markets are discussed in the below.

ACM Call Termination Market Analysis Decisions

In respect of the call termination market, the ACM has taken the view that all providers of call termination on fixed-line and mobile networks in the Netherlands have significant market power because all such providers exclusively control access to end-users connected to their respective public telephone networks. As a result, Old Ziggo (in relation to fixed call termination services) and Vodafone NL (in relation to both fixed and mobile call termination services), have been subject to specific ex ante obligations, including in particular tariff regulation (maximum termination charges), since the ACM's initial market analysis decision of July 7, 2010. On August 5, 2013, the ACM published its latest market analysis decision on call termination, which combines both the fixed termination market and the mobile termination market. The new tariffs became effective September 1, 2013, and applied for a three year period that ended September 1, 2016. The decision was appealed by various operators, including us, and on August 27, 2013, the Dutch Supreme Administrative Court decided in a preliminary decision that the price cap on mobile termination charges should be higher than the ACM had initially determined. The court ruled that the ACM should apply a so-called BULRIC-plus cost calculation method (taking into account common overhead costs relating also to other services than mobile call termination) rather than a pure BULRIC method (in which such common overhead costs are to be disregarded). These revised tariffs apply until the Dutch Supreme Administrative Court arrives at a final decision in the appeal proceedings on the merits. Because the pure BULRIC method used by the ACM is in fact a method recommended by the European Commission in its 2009 Recommendation on the Regulatory Treatment of Termination Rates, the Supreme Administrative Court posed prejudicial questions to the European Court of Justice.

After an Advocate General opinion, the European Court of Justice ruled on September 15, 2016 that deviation from the European Commission's 2009 Recommendation on Termination Rates is only possible if justified by national circumstances. The hearing at the Dutch Supreme Administrative Court was held on January 11, 2017, and we expect the ruling in April 2017. Following the ruling, the ACM will provide an adapted version to the European Commission. While the ACM has not communicated a date when the new rates will become effective, we expect them to take effect approximately July 2017. At the same time, the ACM started a new market analysis and published a draft decision on November 18, 2016, in which they again regulate based on pure BULRIC.

ACM Broadcast Market Analysis Decision

In December 2011, the ACM completed its latest market assessment of the television market in the Netherlands, concluding that there were no grounds for regulation of that market. As a result, no new regulations relating to the television market may be proposed without a new analysis. In particular, the ACM rejected previously filed requests from a number of providers to perform a new market analysis of the television market and this decision was upheld by the Dutch Supreme Administrative Court in a ruling of November 5, 2012. At this time, no ex ante regulation of this market is expected.

ACM Local Loop Unbundling Decision

Following the European Commission's clearance of the Ziggo Acquisition, the ACM published a draft market analysis decision on Local Loop Unbundling (LLU) in October 2014. In this draft decision, the ACM found that there was a risk of joint dominance for KPN and Old Ziggo in the related retail broadband market, to be remedied on the wholesale market for LLU where the ACM found a risk of single dominance of KPN. In its final decision published on December 17, 2015, which is to apply for the period 2016-2019, the ACM repealed the finding of a risk of joint dominance for KPN and Old Ziggo at the retail level but still concluded that there is a risk of consumer harm due to retail prices that may be set above the competitive equilibrium. At the wholesale level, the ACM concluded that Old Ziggo is not part of the relevant LLU market and that KPN is dominant on that market, imposing obligations on KPN.

The ACM has indicated that as a result of the formation of the VodafoneZiggo JV, it will start work on a new LLU market analysis in 2017. The ACM published timelines for its revised assessment of the broadband markets. The ACM wants to publish a draft late 2017, and final decision during the first half of 2018.

Network and services security and continuity

As a provider of public electronic communication networks and services, we are subject to specific obligations to safeguard the safety and integrity of our networks and services, and to ensure the continuity of electronic communications services in the event of disturbances or outages of the electricity grid. We are also required to notify AT of safety and integrity breaches which materially threaten the continuity of our networks and services. To mitigate the risks to continuity of mobile services, Vodafone NL, T-Mobile and KPN voluntarily entered into national roaming arrangements in 2014, allowing for their respective subscribers to roam (voice and SMS) on the other parties' networks in the event of severe outages.

End-user Protection

As a provider of public electronic communication networks and services, we are subject to specific regulations aiming to protect end-users, including regulations concerning information obligations toward consumers, the enactment of amendments to end-user contracts, the term of end user contracts, termination rights of consumers, quality reporting, access to emergency numbers and subscriber information, and compensation of subscriber fees in the event of outages. Access to emergency numbers has to be provided without limitation and free of charge. Access to subscriber information includes the provision of access to the names, addresses and telephone numbers of our subscribers who have consented to be included in directory enquiry services.

Data Protection

For providers of public electronic communications networks or services, a strict data protection regime applies in the Netherlands. In addition to the general data protection framework of the Data Protection Act (*Wet bescherming persoonsgegevens*), the DTA sets out specific regulations for providers of public electronic communications networks and services. These regulations include an obligation to offer certain technical facilities, such as specification of invoices, telephone number identification and transfer of calls, rules regarding the use and processing of location data and traffic data (i.e., call detail records), an obligation to provide access to subscriber lists for directory services, obligations to implement security measures to protect personal data and rules regarding unsolicited commercial communications (spam). The DTA also obliges providers of public electronic communications networks to notify the ACM in case of a security breach which has negative consequences for personal data processed by the provider. In certain circumstances, data subjects involved will need to be informed as well. Non-compliance with the DTA can lead to a fine. Additional data protection obligations relevant to our operations are anticipated with the entry into force of the E.U. General Data Protection Regulation, which will become applicable as of May 25, 2018, and has direct effect in the Netherlands.

Lawful Interception

Providers of public telecommunication networks and services can only make their networks and services available to the public if they have arranged their networks and services in such a manner that they can be wiretapped promptly. Providers of public telecommunication networks and services are obligated to cooperate fully in the execution of a lawfully given special tapping order or permission, in accordance with the technical and procedural requirements set forth on the basis of the DTA, and to provide relevant Dutch law enforcement agencies information on subscribers and telecommunications traffic.

Net Neutrality

On January 1, 2013, certain provisions in the DTA with respect to net neutrality entered into force. These provisions regulate net neutrality by, among other things, prohibiting operators of public telecommunication networks through which internet access is provided as well as internet service providers from blocking or restricting services or applications which are accessed via the internet other than in circumstances set forth in the DTA. In October 2015, the European Parliament adopted a new Regulation including the first E.U.-wide net neutrality regime. Following a lengthy legislative procedure, the regulation (directly applicable in all Member States from April 30, 2016) reflects a light-handed approach to net neutrality permitting the provision of specialized services optimized for specific content and approving reasonable traffic management. In October 2016, a bill to change the DTA pursuant to the E.U. net neutrality Regulation was adopted by the Dutch Senate. In the law, a specific obligation prohibiting tariff differentiation for data is maintained, which however does not clearly follow from the Regulation. The validity of this prohibition is being challenged in court, which may lead to prejudicial questions to the European Court of Justice.

Radio and Television Transmission

The distribution of must-carry television services to the public is regulated by the DMA, entailing obligations regarding the transmission of specified radio and television broadcast channels. On January 1, 2014, revised must carry obligations became effective. The revised must carry obligations do not only apply to cable operators, as was previously the case, but also apply to all providers of analog and digital program packages based on the principle of technology neutrality. Providers of digital program packages with 100,000 or more subscribers are subject to the obligation to provide at least 30 television channels, including six public television broadcasting channels as a must carry obligation, a limited amount of regional and local television broadcasting channels and a number of digital radio broadcasting channels. In addition, all providers of analog program packages with 100,000 or more subscribers must include at least 15 television channels, including five public broadcasting channels as a must carry obligation, a limited amount of regional and local television broadcasting channels and some analog radio broadcasting channels. The DMA can grant a (conditional) exemption from the obligation if the must carry obligations listed above give rise to disproportionate costs for the network operator, an impediment to innovation or other unreasonable outcomes.

There is no regulated financing mechanism in place between network operators and broadcasters. Commercial and public program providers must negotiate with network operators regarding transmission fees.

Property Rules regarding the Network

In accordance with the Dutch Civil Code, all public fixed-line electronic communication networks are the legal property of the rightful constructor of the network or its legal successor, and not (by accession) of the owner of the ground in which the network resides. Registration at the Land Registry (*het Kadaster*) is required for the transfer of legal ownership and/or to encumber public networks, for example by a right of mortgage. Registration is also required to enjoy statutory protection against title claims of third parties. We have currently registered a substantial majority of our HCF network at the Land Registry.

Roaming

In the European Roaming Regulation, which has direct effect in the Netherlands, the European Commission has increased regulation regarding roaming charges for calls, SMS and data, when roaming in the E.U. As of April 30, 2016, roaming retail charges (exclusive of VAT) are capped at €0.19 per minute for calls made, €0.06 per SMS message sent, €0.20 per megabyte of data used, with a maximum surcharge for roaming calls received of €0.0114 (€0.00108 as of April 1, 2017) per minute, a maximum surcharge for outgoing calls of €0.05 per minute (exclusive of VAT), a maximum surcharge of €0.02 per SMS sent and a maximum surcharge for data used of €0.05 per megabit. These maximum surcharges are equal to the regulated maximum wholesale roaming rates. As of June 15, 2017, roaming retail surcharges will no longer be permitted, subject to a fair use policy. On June 15, 2017 revised maximum wholesale roaming rates (exclusive of VAT) will become effective as follows (i) outgoing calls at €0.032 per minute, (ii) incoming calls at €0.0114 per minute, (iii) €0.01 per SMS sent and (iv) rates for data at €7.7 per GB effective June 15, 2017 decreasing annually ultimately to €2.5 per GB effective January 1, 2022.

Consumer Credit

In June 2014 and February 2016, the Dutch (Civil) Supreme Court ruled that certain combined propositions of mobile services and a mobile handset could, under circumstances, be qualified as, inter alia, consumer credit and installment sales, which qualification could have consequences on the validity of certain customer contracts and the applicability of financial laws including the supervision of the Dutch Financial supervisory body (AFM). Vodafone NL was not party to the above-mentioned proceedings.

Currently, we are unable to conclude if, and if so, which, mobile subscriptions of Vodafone NL would be impacted by these rulings. A claim organization has initiated a trial case in one individual customer claim before the small claims courts, which is currently pending. Furthermore, Vodafone NL has been in close consultation with the Financial Market Authority about the applicability and implementation of financial laws on consumer credit going forward and applied for a consumer credit license with the AFM in June 2016. The license has been granted in December 2016, containing a phased compliance path.

Conditions Applied in Connection with the Ziggo Acquisition

In connection with the completion of the Ziggo Acquisition, Liberty Global obtained regulatory clearance from the European Commission on October 10, 2014, subject to the following commitments:

- our commitment to divest our *Film 1* channels to a third party and for our company to carry *Film 1* on our network for a period of three years. Accordingly, on July 21, 2015, we sold our *Film 1* channels to Sony Pictures Television Networks. Under the terms of the agreement, all five *Film 1* channels will continue to be carried on our network for a period of at least three years; and

- an eight-year commitment with respect to our network (i) not to enforce certain clauses currently contained in carriage agreements with broadcasters that restrict the ability of broadcasters to offer their channels and content via over-the-top services, (ii) not to enter into carriage agreements containing such clauses and (iii) to maintain adequate interconnection capacity through at least three uncongested routes into our network, at least one of which must be with a large transit provider.

Legal Proceedings

From time to time, we may become involved in litigation relating to claims arising out of our operations in the normal course of business. We believe the ultimate resolution of any of these existing contingencies would not likely have a material adverse effect on our business, results of operations, financial condition or liquidity.

Employees

As of December 31, 2016, we, including our consolidated subsidiaries, have an aggregate of approximately 7,100 full-time equivalent employees, including approximately 3,000 of Vodafone NL, certain of whom belong to organized unions and works councils. Certain of our subsidiaries also use contract and temporary employees, which are not included in this number, for various projects. We believe that our employee relations are good.

MANAGEMENT AND GOVERNANCE

VodafoneZiggo

Management and Supervisory Directors until December 31, 2016

VodafoneZiggo is managed by its Managing Directors, as described below. Responsibilities for operations are delegated to members of senior management. As a result of the formation of the VodafoneZiggo JV on December 31, 2016, the governance of Old Ziggo and certain entity names have been changed. Prior to the formation of the VodafoneZiggo JV, Old Ziggo had a Supervisory Board consisting of Diederik Karsten, Graham King, James Ryan, Rob Ruijter and Huub Willems.

Messrs Karsten, King and Ryan had been identified by Liberty Global and Messrs Ruijter and Willems were independent members (“**Independent Members**”). Mr. Willems had been appointed on the basis of a reinforced right of recommendation of the works council. The Independent Members have several specific rights as laid down in the merger protocol concluded between Ziggo Holding and Liberty Global. The supervisory board advised and supervised the managing board of Ziggo Holding. The articles of association of Ziggo Holding required certain transactions to be approved by the supervisory board. Failure to obtain these approvals however, does not affect the authority of the Management Board or the members of the Management Board to represent Ziggo Holding.

The Managing Directors of Ziggo Group Holding are responsible for the day-to-day management of the business. These Managing Directors are appointed at a shareholders’ meeting for each entity. They may also be removed at the applicable shareholders’ meeting. The Managing Directors are responsible for, among other things, the overall supervision and administration of the business activities, the appointment and removal of executive officers, the review of financial statements and the approval of budgets for Ziggo Group Holding and its affiliates. Until December 31, 2016 the Managing Directors were Baptist Coopmans and Ritchy Drost.

Changes on December 31, 2016

Upon closing the JV Transaction on December 31, 2016, VodafoneZiggo and its subsidiaries, which includes Vodafone NL, became wholly-owned subsidiaries of VodafoneZiggo Group Holding. On December 31, 2016, the articles of association of VodafoneZiggo were amended. As a result, among other things, the Supervisory Board was canceled, its members resigned and the company's prior name, Ziggo Group Holding B.V., was changed to VodafoneZiggo Group B.V. At the same date, Baptist Coopmans resigned as a management board member. Ritchy Drost continued as a management board member and Chief Financial Officer (**CFO**) and Jeroen Hoencamp was appointed management board member and Chief Executive Officer (**CEO**) of VodafoneZiggo.

Jeroen Hoencamp was appointed CEO of Vodafone NL on September 1, 2016. A Dutch citizen, he led Vodafone’s U.K. business as Chief Executive from September 2013 to September 2016 and was previously Chief Executive of Vodafone Ireland. Before that, he spent 12 years in a number of senior executive roles (including Sales Director and Enterprise Business Unit Director) with Vodafone NL. Earlier in his career he worked in senior marketing and sales positions with Canon Southern Copy Machines, Inc. in the U.S. and Thorn EMI/Skala Home Electronics in the Netherlands. He is a former officer in the Royal Dutch Marine Corps.

Ritchy Drost was appointed CFO and member of the Management Board of Ziggo Group Holding, in September 2015, succeeding Bert Groenewegen. Ritchy Drost was appointed CFO, European Broadband Operations, of Liberty Global in January 2012. Mr. Drost served as Managing Director and CFO of Ziggo Services and its predecessors, from January 2006 to January 2012. Prior to that, he held various management positions after joining a predecessor of Liberty Global Europe in November 1999. Previously he was with Arthur Andersen LLP in their assurance practice.

The business address of each of the Managing Directors named above is Atoomweg 100, 3542 AB Utrecht, the Netherlands. There are no potential conflicts of interest between the duties of the Managing Directors noted above towards VodafoneZiggo and his or her personal interests and duties.

The Supervisory Board of VodafoneZiggo Group Holding, the sole shareholder of VodafoneZiggo and the top holding company of the VodafoneZiggo JV as of December 31, 2016 consists of three representatives from each of Liberty Global (Diederik Karsten, Baptist Coopmans, Charles Bracken) and Vodafone (Ahmed Essam, Nicholas Read, Warren Finegold) and currently one member nominated by the Works Council (Huub Willems). A second member to be nominated by the Works Council is in the process of being searched. Certain matters will require unanimous approval of both companies’ representatives. The post of Chairman will be held for alternating 12 month periods by a Liberty Global or Vodafone appointed director (currently Diederik Karsten). The Management Board of VodafoneZiggo Group Holding consists of Jeroen Hoencamp as CEO and Ritchy Drost as CFO.

PRINCIPAL SHAREHOLDERS

VodafoneZiggo is wholly-owned by VodafoneZiggo Group Holding. VodafoneZiggo Group Holding is a 50:50 joint venture among Liberty Global and Vodafone. Liberty Global serves 25 million customers through next-generation networks, who subscribe to over 50 million television, broadband internet and telephony services in over 30 countries. Vodafone has mobile operations in 26 countries, partners with mobile networks in 49 more, and fixed broadband operations in 17 markets. As of December 31, 2016, Vodafone had 470 million mobile customers and 14.3 million fixed broadband customers.

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 consolidated financial statements, is intended to assist in providing an understanding of our results of operations and financial condition and is organized as follows:

- *Forward-looking Statements.* This section provides a description of certain factors that could cause actual results or events to differ materially from anticipated results or events.
- *Overview.* This section provides a general description of our business and recent events and includes pro forma statistical data for the year ended December 31, 2014 that gives effect to the Ziggo Acquisition.
- *Results of Operations.* This section provides an analysis of the results of operations of VodafoneZiggo for (i) the years ended December 31, 2016 and 2015 and (ii) the year ended December 31, 2015 and pro forma results of operations for the year ended December 31, 2014 to give effect to the Ziggo Acquisition.
- *Liquidity and Capital Resources.* This section provides an analysis of our liquidity and consolidated statements of cash flows and contractual commitments.
- *Critical Accounting Policies, Judgments and Estimates.* This section discusses those material accounting policies that involve uncertainties and require significant judgment in their application.

The capitalized terms used below have been defined in the notes to our consolidated financial statements. In the following text, the terms “we,” “our,” “our company” and “us” may refer, as the context requires, to VodafoneZiggo (or its predecessor, herein referred to as “**Old Ziggo**”) or collectively to VodafoneZiggo (or its predecessor) and its subsidiaries after giving effect to the JV Transaction and the common control transfers as described in notes 1 and 6 to our consolidated financial statements.

Unless otherwise indicated, convenience translations into euros are calculated, and operational data (including subscriber statistics) is presented, as of December 31, 2016.

Overview

General

VodafoneZiggo is a provider of video, broadband internet, fixed-line telephony and mobile services to residential and business customers in the Netherlands. Prior to the closing of the JV Transaction, VodafoneZiggo was a wholly-owned subsidiary of Liberty Global. On December 31, 2016, and upon closing the JV Transaction, VodafoneZiggo became a wholly-owned subsidiary of VodafoneZiggo Group Holding. VodafoneZiggo Group Holding is a newly-formed entity that was formed as a 50:50 joint venture among Vodafone and Liberty Global. In connection with closing of the JV Transaction, Vodafone NL became an indirect wholly-owned subsidiary of VodafoneZiggo. Vodafone NL and its subsidiaries operated Vodafone’s mobile business in the Netherlands. For additional information regarding the JV Transaction and the formation of the VodafoneZiggo JV, see note 4 to our consolidated financial statements.

In connection with the closing of the JV Transaction, the VodafoneZiggo JV recorded the assets and liabilities of VodafoneZiggo and Vodafone NL (the “**VodafoneZiggo JV contributed businesses**”) at fair value. Such fair values have been reflected in our consolidated financial statements following the “push down method of accounting” from the VodafoneZiggo JV. Accordingly, we have a new basis of accounting effective December 31, 2016. In our consolidated financial statements (i) the financial position as of December 31, 2015 and the results of operations and cash flows for the years ended December 31, 2016, 2015 and 2014 prior to the close of the JV Transaction are labeled “**Predecessor**” and reflect the historical accounting basis in the assets and liabilities of Old Ziggo, and (ii) the financial position as of December 31, 2016 following the close of the JV Transaction is labeled “**Successor**” and reflects the push down of the VodafoneZiggo JV’s basis of accounting in the new fair values of the assets and liabilities of the VodafoneZiggo JV contributed businesses.

In October 2016, we acquired 100% of the equity of Ziggo Sport in exchange for shares of Old Ziggo. We have reflected the Ziggo Sport Transfer at carryover basis as Ziggo Sport and Old Ziggo were under the common control of Liberty Global. Accordingly, our consolidated balance sheet as of December 31, 2015 and our consolidated statements of operations, owners’ equity and cash flows for the years ended December 31, 2015 and 2014 have been retrospectively revised to give effect to the Ziggo Sport Transfer.

On November 11, 2014, HoldCo V acquired a controlling interest in Ziggo Holding. We accounted for this transaction using the acquisition method of accounting. For additional information regarding the Ziggo Acquisition and the subsequent acquisition of additional Ziggo Holding shares, see note 5 to our consolidated financial statements.

Operations

At December 31, 2016, we owned and operated networks that passed 7,089,500 homes and served 9,689,900 revenue generating units (**RGUs**), consisting of 3,975,400 video subscribers (including 3,338,000 enhanced video subscribers), 3,178,200 broadband internet subscribers and 2,536,300 fixed-line telephony subscribers. In addition, at December 31, 2016, we served 5,113,100 mobile subscribers, including 4,871,000 mobile subscribers of Vodafone NL that were added upon closing the JV Transaction.

The following table provides details of our organic RGU and mobile subscriber changes for the years indicated. The subscriber data provided below excludes the effect of acquisitions (RGUs and mobile subscribers added on the acquisition date) and other non-organic adjustments, but includes post-acquisition date RGU and mobile subscriber additions or losses.

	Year ended December 31,		
	2016	2015	2014
Organic RGU additions (losses):			pro forma (a)
Video:			
Basic	(98,800)	(134,100)	(167,900)
Enhanced	(14,100)	(66,800)	42,000
Total video	(112,900)	(200,900)	(125,900)
Broadband internet	87,100	35,400	136,000
Fixed-line telephony	(2,000)	(37,700)	21,000
Total organic RGU additions (losses)	(27,800)	(203,200)	31,100
Total organic mobile subscriber additions	58,900	57,300	107,100

- (a) The pro forma operating information gives effect to the Ziggo Acquisition as if had been completed as of January 1, 2014. These pro forma amounts are not necessarily indicative of the operating results that would have occurred if the Ziggo Acquisition had occurred on such date.

Video services. For most of our customers, we have enhanced our video offerings with various products that enable such customers to control when they watch their programming. These products range from digital video recorders to multimedia home gateway systems capable of distributing video, voice and data content throughout the home and to multiple devices.

Broadband internet services. Subscribers to our residential broadband internet services generally access the internet at various download speeds of up to 300 Mbps, depending on network capability and the tier of service selected. We determine pricing for each tier of broadband internet service through analysis of speed, market conditions and other factors. We continue to invest in new technologies that allow us to increase the internet speeds we offer to our customers.

Fixed-line telephony services. We offer fixed-line telephony services to all of our broadband communications subscribers, primarily using voice-over-internet-protocol or “**VoIP**” technology.

Mobile services. Prior to closing of the JV Transaction, we offered voice and data mobile services through an MVNO agreement with Vodafone NL. Following the closing of the JV Transaction, we offer mobile services as a mobile network operator.

B2B services. We provide B2B services, including voice, broadband internet, data, video, wireless and cloud services.

For additional information regarding the details of our products and services, see *Business* included in this annual report.

Strategy and management focus

Following the formation of the VodafoneZiggo JV, we believe we are able to add value to our customers through each and every connection related to our video, broadband internet, fixed-line telephony and mobile services. We enable our customers to connect with their loved ones and build new meaningful relationships and enjoy fantastic content and entertainment in familiar and refreshing ways thereby creating more satisfying experiences for our customers.

The formation of the VodafoneZiggo JV, of which we are a wholly-owned subsidiary, created a national, fully converged organization in the Netherlands and, as such, we believe we are able to better serve our customers and compete with our key competitors. As a converged company, we expect we will be able to create growth opportunities, including 4P, and cross-selling and upselling opportunities. We expect that we will improve customer satisfaction and loyalty to our company and the services we provide. Furthermore, we expect to leverage the knowledge and expertise of our ultimate parent companies, Liberty Global and Vodafone, as well as realize synergies as we begin integrating and operating as one converged company.

From a strategic perspective, we are seeking to build broadband communications and mobile business that has strong prospects for future growth.

We strive to achieve organic revenue and customer growth in our operations by developing and marketing bundled entertainment and information and communications services, and extending and upgrading the quality of our networks where appropriate. As we use the term, organic growth excludes the estimated impact of the *Film 1* Disposal. While we seek to obtain new customers, we also seek to maximize the average revenue we receive from each household by increasing the penetration of our digital cable, broadband internet, fixed-line telephony and mobile services with existing customers through product bundling and upselling.

Competition and other external factors

We are experiencing significant competition from an incumbent telecommunications operator, direct-to-home operators and/or other providers. This significant competition, together with the macroeconomic factors, has adversely impacted our revenue, RGU and average monthly subscription revenue per average cable RGU or mobile subscriber, as applicable (**ARPU**). For additional information regarding the revenue impact of changes in the RGU and ARPU, see *Results of Operations* below.

We are also experiencing significant competition in the mobile market where overall pressure on market price continues, characterized by aggressive promotion campaigns, heavy marketing spend and increasing (data) bundles. Furthermore, there is increasing competition from MVNOs who focus on certain niche segment such as no frill, youth or ethnic markets.

Effective June 15, 2017, consumers will be able to use their mobile device when traveling in the E.U., paying the same prices as at home, i.e. to "Roam like at Home". Any voice call, SMS and data session made while traveling abroad in the E.U. will be deducted from the monthly package of minutes, SMS and data in the home country with no extra charges. This means the end of most of the out of bundle roaming revenues within the E.U.

In addition to competition, our operations are subject to macroeconomic, political and other risks that are outside of our control. On June 23, 2016, the United Kingdom (**U.K.**) held a referendum in which U.K. citizens voted in favor of, on an advisory basis, an exit from the European Union (**E.U.**), commonly referred to as "**Brexit**." The terms of any withdrawal are subject to a negotiation period that could last at least two years beginning on March 29, 2017, which was the date the British government formally initiated the withdrawal process pursuant to Article 50 of the Treaty on Europe. 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.

The potential impacts, if any, of the uncertainty relating to Brexit or the resulting terms of the withdrawal of the U.K. from the E.U. on customer behavior, economic conditions, interest rates, currency exchange rates, availability of capital or other matters are unclear. Examples of the impact Brexit could have on our business, financial condition or results of operations include:

- changes in foreign currency exchange rates and disruptions in the capital markets;
- legal uncertainty and potentially divergent national laws and regulations as the U.K. determines which E.U. laws and directives to replace or replicate, or where previously implemented by enactment of U.K. laws or regulations, to retain, amend or repeal;

- uncertainty as to the terms of the U.K.'s withdrawal from, and future relationship with, the E.U. in terms of the impact on the free movement of our services, capital and employees;
- global economic uncertainty, which may cause our customers to reevaluate what they are willing to spend on our products and services; and
- various geopolitical forces may impact the global economy and our business, including, for example, other E.U. member states proposing referendums to, or electing to, exit the E.U.

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

Results of Operations

This section provides an analysis of our results of operations for (i) the year ended December 31, 2016, as compared with the year ended December 31, 2015, and (ii) the year ended December 31, 2015, as compared to pro forma results of operations for the year ended December 31, 2014 to give effect to the Ziggo Acquisition. As further explained in note 1 to our consolidated financial statements, the operating results of Ziggo Holding are not included in our consolidated statements of operations prior to the Ziggo Acquisition Date. Additionally, during the third quarter of 2015, we completed the *Film I* Disposal. The *Film I* Disposal impacts the comparability of our results of operations during 2016 and 2015 and our pro forma results of operations during 2014. In the following discussion, we quantify the estimated impact of the *Film I* Disposal on our operating results.

General

Our revenue is earned in the Netherlands and is subject to applicable VAT. 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 onto our customers.

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 network or networks. 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 costs. The ultimate impact of any such changes in termination rates on our adjusted operating income before depreciation and amortization (**Segment OCF**) would be dependent on the call or text messaging patterns that are subject to the changed termination rates. Segment OCF is defined as operating income before depreciation and amortization, share-based compensation, related-party fees and allocations, provisions and provision releases related to significant litigation and impairment, restructuring and other operating items. Other operating items include (i) gains and losses on the disposition of long-lived assets, (ii) third-party costs directly associated with successful and unsuccessful acquisitions and dispositions, including legal, advisory and due diligence fees, as applicable, and (iii) other acquisition-related items, such as gains and losses on the settlement of contingent consideration.

Revenue

We earn revenue from (i) subscribers to our broadband communications and mobile services and (ii) B2B services, interconnect fees, channel carriage fees, installation fees and late fees. Consistent with the presentation of our revenue categories in note 16 to our 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 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 provide the net impact of the above factors on the ARPU that is derived from our video, broadband internet, fixed-line telephony and mobile products.

2016 compared to 2015

Revenue

Our revenue by major category is set forth below:

	Predecessor				
	Year ended December 31,		Increase (decrease)		Organic increase (decrease)
	2016	2015 (a)	€	%	%
	in millions, except percentages				
Subscription revenue (b):					
Video.....	€ 1,093.1	€ 1,065.9	€ 27.2	2.6	2.6
Broadband internet.....	676.2	703.7	(27.5)	(3.9)	(3.9)
Fixed-line telephony	428.9	474.0	(45.1)	(9.5)	(9.5)
Cable subscription revenue.....	2,198.2	2,243.6	(45.4)	(2.0)	(2.0)
Mobile (c).....	31.4	28.1	3.3	11.7	11.7
Total subscription revenue.....	2,229.6	2,271.7	(42.1)	(1.9)	(1.9)
B2B revenue (d)	161.9	162.8	(0.9)	(0.6)	(0.6)
Other revenue (c) (e)	55.3	52.4	2.9	5.5	32.9
Total.....	€ 2,446.8	€ 2,486.9	€ (40.1)	(1.6)	(1.2)

- (a) As retrospectively revised – see note 1 to our consolidated financial statements.
- (b) 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.
- (c) Mobile subscription revenue excludes mobile interconnect revenue of €3.7 million and €2.9 million during 2016 and 2015, respectively. Mobile interconnect revenue is included in other revenue.
- (d) 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 €93.4 million and €76.6 million during 2016 and 2015, respectively.
- (e) Other revenue includes, among other items, programming, interconnect, installation and late fee revenue.

The decrease in our revenue during 2016, as compared to 2015, includes (i) an organic decrease of €29.3 million or 1.2% and (ii) the impact of the *Film 1* Disposal, as set forth below:

	Predecessor		
	Subscription revenue	Non-subscription revenue in millions	Total
Decrease in cable subscription revenue due to change in:			
Average number of RGUs (a).....	€ (32.1)	€ —	€ (32.1)
ARPU (b).....	(13.3)	—	(13.3)
Total decrease in cable subscription revenue.....	(45.4)	—	(45.4)
Increase in mobile subscription revenue (c).....	3.3	—	3.3
Total decrease in subscription revenue.....	(42.1)	—	(42.1)
Decrease in B2B revenue (d)	—	(0.9)	(0.9)
Increase in other revenue (e)	—	13.7	13.7
Total organic increase (decrease).....	(42.1)	12.8	(29.3)
Impact of the <i>Film 1</i> Disposal.....	—	(10.8)	(10.8)
Total.....	€ (42.1)	€ 2.0	€ (40.1)

- (a) The decrease in cable subscription revenue related to a change in the average number of RGUs is attributable to declines in the average numbers of basic video, enhanced video and fixed-line telephony RGUs that were only partially offset by an increase in the average number of broadband internet RGUs.
- (b) The decrease in cable subscription revenue related to a change in ARPU is attributable to the net effect of (i) a net decrease due to (a) lower ARPU from fixed-line telephony and broadband internet services and (b) higher ARPU from video services and (ii) an improvement in RGU mix.
- (c) The increase in mobile subscription revenue is due to the net effect of (i) an increase in the average number of mobile subscribers and (ii) lower ARPU.
- (d) The decrease in B2B revenue is primarily due to the net effect of (i) lower revenue from voice services and (ii) higher revenue from data services.
- (e) The increase in other revenue includes the net effect of (i) a €2.9 million increase due to the favorable settlement of prior period amounts that were recorded during the first quarter of 2016, (ii) a decrease in revenue of €1.4 million resulting from the termination of a partner network agreement shortly after the Ziggo Acquisition and (iii) an increase in programming revenue associated with services provided by Ziggo Sport.

Programming and other direct costs of services

General. Programming and other direct costs of services include programming and copyright costs, mobile access and interconnect costs, mobile handset and other equipment cost of goods sold and other direct costs related to our operations. Programming and copyright costs, which represent a significant portion of our operating 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 and (ii) rate increases. In addition, we are subject to inflationary pressures with respect to our labor 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.

Our programming and other direct costs of service increased €28.8 million or 6.5% during 2016, as compared to 2015. This increase includes a decrease of €10.5 million attributable to the *Film I* Disposal. Excluding the effect of the *Film I* Disposal, our programming and other direct costs of services increased €39.3 million or 8.8%. This increase includes the following factors:

- An increase in programming and copyright costs of €41.0 million or 12.8%, primarily due to higher costs for certain premium and basic content. The increase in programming and copyright costs also includes an increase of €5.1 million resulting from adjustments related to the settlement of operational contingencies recorded during the third and fourth quarters of 2015; and
- A decrease in mobile access and interconnect costs of €2.0 million or 1.8%, primarily due to the net effect of (i) lower fixed-line telephony call volumes and (ii) higher mobile usage.

Other operating expenses

General. Other operating expenses include network operations, customer operations, customer care and other costs related to our operations. In addition, we are subject to inflationary pressures with respect to our labor and certain 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.

Our other operating expenses decreased €26.7 million or 7.9% during 2016, as compared to 2015. This decrease includes a decrease of €1.4 million attributable to the *Film I* Disposal. Excluding the effect of the *Film I* Disposal, our other operating expenses decreased €25.3 million or 7.4%. This decrease includes the following factors:

- A decrease in network-related expenses of €13.6 million or 18.8%, primarily due to the net effect of (i) a decrease in network maintenance costs, (ii) a decrease of €2.2 million as a result of costs incurred during the first half of 2015 associated with network harmonization activities following the Ziggo Acquisition and (iii) higher energy costs;
- A decrease in outsourced labor and professional fees of €5.0 million or 8.0%, primarily due to the net effect of (i) lower call center costs and (ii) higher consulting costs related to the implementation of a new customer relationship management platform. The lower call center costs represent third-party costs that are primarily related to network and product harmonization activities following the Ziggo Acquisition. These costs, together with certain other third-party customer care costs, accounted for a decrease of €12.3 million; and
- A decrease in bad debt and collection expenses of €3.0 million or 33.6%.

SG&A expenses

General. 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. We do not include share-based compensation in the following discussion and analysis of the SG&A expenses. In addition, we are subject to inflationary pressures with respect to our labor and certain other costs.

Our SG&A expenses decreased €16.4 million or 4.6% during 2016, as compared to 2015. Our SG&A expenses include share-based compensation expense, which increased €2.3 million. The decrease in SG&A expense also includes a decrease of €1.5 million attributable to the *Film I* Disposal. Excluding the effects of share-based compensation expense and the *Film I* Disposal, our SG&A expenses decreased €17.2 million or 4.9%. This decrease includes the following factors:

- A decrease in external sales and marketing costs of €14.1 million or 13.1%, primarily due to lower (i) third-party sales commissions, (ii) costs associated with advertising campaigns and (iii) third-party costs of €3.6 million related to the impact of rebranding costs incurred during the 2015 period following the Ziggo Acquisition;
- A decrease in personnel costs of €7.1 million or 4.7%, primarily due to decreased staffing levels; and
- An increase in outsourced labor and professional fees of €3.3 million or 15.4%, primarily due to a net increase in consulting costs. This increase primarily relates to consulting costs incurred in connection with the formation of the VodafoneZiggo JV, partially offset by a €4.1 million decrease in consulting costs related to integration of Ziggo Holding following the Ziggo Acquisition.

Related-party fees and allocations

We recorded related-party fees and allocations of €233.1 million during 2016, as compared to €152.9 million during 2015. These amounts represent fees charged to our company that originated 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.

For additional information regarding related-party fees and allocations prior to the closing of the JV Transaction, see note 13 to our consolidated financial statements. For additional information regarding related-party fees and allocations that will be charged to our company by both Liberty Global and Vodafone following the closing of the JV Transaction, see note 4 to our consolidated financial statements.

Depreciation and amortization expense

Our depreciation and amortization expense decreased €120.7 million or 11.6% during 2016, as compared to 2015. This decrease is primarily due the net effect of (i) a decrease associated with certain assets becoming fully depreciated and (ii) 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.

Impairment, restructuring and other operating items, net

We recognized impairment, restructuring and other operating items, net, of €26.8 million and €60.2 million during 2016 and 2015, respectively. The 2016 amount primarily relates to (i) third-party costs of €21.7 million, primarily associated with the formation of the VodafoneZiggo JV, (ii) restructuring charges of €10.7 million that primarily comprise employee severance and termination costs related to certain reorganization activities following the Ziggo Acquisition and, to a lesser extent, related to the formation of the VodafoneZiggo JV, (iii) a gain of €3.9 million related to the sale of tangible assets and (iv) a gain of €2.5 million related to the settlement of a legal contingency. The 2015 amount primarily relates to (a) restructuring charges of €56.5 million that primarily comprise employee severance and termination costs related to certain reorganization activities following the Ziggo Acquisition, (b) impairment charges of €5.3 million, primarily related to intangible assets acquired in the Ziggo Acquisition, and (c) a gain of €5.3 million related to the sale of tangible assets.

For additional information regarding the formation of the VodafoneZiggo JV, see note 4 to our consolidated financial statements. For additional information regarding the Ziggo Acquisition, see note 5 to our consolidated financial statements.

We expect to record further significant restructuring charges during 2017, primarily due to ongoing reorganization activities following the closing of the JV Transaction.

Interest expense – third-party

Our third-party interest expense increased €53.7 million or 17.4% during 2016, as compared to 2015. This increase is primarily due to higher average outstanding debt balances related to debt issued during September 2016 in advance of the closing of the JV Transaction. For additional information regarding our third-party debt, see note 11 to our 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 8 to our consolidated financial statements, we use derivative instruments to manage our interest rate risks.

Interest expense – related-party

Our related-party interest expense decreased €69.5 million or 29.8% during 2016, as compared to 2015. This decrease is primarily due to the net effect of (i) lower interest expense resulting from a decline in the average outstanding balance of the Liberty Global Broadband Note and (ii) higher interest expense related to the Liberty Global Europe Note that was entered into during the third quarter of 2015. For additional information regarding our related-party debt, see note 13 to our consolidated financial statements.

Interest income – third-party

Our third-party interest income increased €4.0 million during 2016, as compared to 2015. This increase is due to interest earned on the Escrowed Proceeds. As further described in note 11 to our consolidated financial statements, on January 4, 2017 the Escrowed Proceeds were released from escrow and were distributed to VodafoneZiggo Group Holding B.V., and ultimately to Liberty Global and Vodafone in accordance with the terms of the Contribution Agreement.

Interest income – related-party

Our related-party interest income decreased €16.3 million during 2016, as compared to 2015. This decrease is due to the settlements of the UPC Western Europe Loan Receivable and the UPC Broadband Loan Receivable during the first quarter of 2015. For additional information regarding our related-party loans receivable, see note 13 to our consolidated financial statements.

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

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

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

	Predecessor	
	Year ended December 31,	
	2016	2015
	in millions	
Cross-currency and interest rate derivative contracts (a).....	€ (134.2)	€ 218.1
Foreign currency forward contracts	—	(7.0)
Total.....	<u>€ (134.2)</u>	<u>€ 211.1</u>

- (a) The loss during 2016 is primarily attributable to the net effect of (i) losses associated with decreases in market interest rates in the euro market and (ii) gains associated with a decrease in the value of the euro relative to the U.S. dollar. In addition, the loss during 2016 includes a net gain of €22.7 million resulting from changes in our credit risk valuation adjustments. The gain during 2015 is primarily attributable to the net effect of (a) gains associated with a decrease in the value of the euro relative to the U.S. dollar, (b) gains associated with increases in market interest rates in the euro market and (c) losses associated with increases in market interest rates in the U.S. dollar market. In addition, the gain during 2015 includes a net gain of €1.4 million resulting from changes in our credit risk valuation adjustments.

For additional information regarding our derivative instruments, see notes 8 and 9 to our consolidated financial statements.

Foreign currency transaction losses, net

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

	Predecessor	
	Year ended December 31,	
	2016	2015
	in millions	
U.S. dollar denominated debt.....	€ (213.7)	€ (234.3)
Restricted cash and cash denominated in a currency other than our functional currency (a).....	135.3	5.9
Other.....	0.3	(2.5)
Total.....	€ (78.1)	€ (230.9)

(a) The 2016 amount primarily relates to certain amounts of the Escrowed Proceeds that are denominated in U.S. dollars.

Losses on debt modification and extinguishment, net

We recognized losses on debt modification and extinguishment, net, of €14.3 million and €0.9 million during 2016 and 2015, respectively. The loss during 2016 includes the write-off of (i) €11.4 million of unamortized discounts and (ii) €2.9 million of deferred financing costs.

Income tax benefit (expense)

We recognized income tax benefits of €183.0 million and €126.0 million during 2016 and 2015, respectively.

The income tax benefits during 2016 and 2015 differ from the expected income tax benefits (based on the Dutch income tax rate of 25.0%) of €156.9 million and €117.8 million, respectively, primarily due to the net effect of (i) the tax benefits associated with technology innovation and (ii) a decrease in valuation allowances.

For additional information regarding our income taxes, see note 12 to our consolidated financial statements.

Net earnings (loss)

During 2016 and 2015, we reported net losses of €444.6 million and €345.0 million, respectively, including (i) operating income of €139.8 million and €91.7 million, respectively, (ii) net non-operating expense of €767.4 million and €562.7 million, respectively, and (iii) income tax benefits of €183.0 million and €126.0 million, respectively.

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

Subject to the limitations included in our various debt instruments, we expect to maintain our debt at current levels relative to our Covenant EBITDA. As a result, we expect that we will continue to report significant levels of interest expense for the foreseeable future. For information concerning our expectations with respect to trends that may affect our operating results in future periods, see the discussion under *Overview* above.

2015 compared to pro forma 2014

In order to provide meaningful comparisons, our results of operations data for the year ended December 31, 2014 has been adjusted to give effect to the pro forma adjustments as of January 1, 2014 relating to (i) the inclusion of the historical operating results of Ziggo Holding, (ii) third-party acquisition-related financings that occurred during February and November of 2014, (iii) the new basis of accounting resulting from the Ziggo Acquisition and (iv) the impact of conforming one of Ziggo Holding's accounting policies to the corresponding Liberty Global accounting policy followed by Old Ziggo. No interest expense on the Liberty Global Broadband Note is reflected in our 2014 pro forma results prior to its November 2014 issuance date. The pro forma amounts are not necessarily indicative of the operating results that would have occurred if these transactions had occurred on January 1, 2014. The pro forma adjustments are based on certain assumptions that we believe are reasonable.

Financial Performance

Results for 2015, as compared to the pro forma results during 2014, are set forth below (in millions):

	Predecessor	
	Year ended December 31,	
	2015 (a)	2014 (a)
		pro forma
Revenue	€ 2,486.9	€ 2,552.8
Operating costs and expenses (exclusive of depreciation and amortization, shown separately below):		
Programming and other direct costs of services	446.1	452.2
Other operating	340.1	335.9
SG&A	357.8	375.9
Related-party fees and allocations	152.9	169.6
Depreciation and amortization	1,038.1	942.6
Impairment, restructuring and other operating items, net	60.2	83.1
	2,395.2	2,359.3
Operating income	91.7	193.5
Non-operating income (expense):		
Interest expense:		
Third-party	(309.4)	(179.8)
Related-party	(233.3)	(149.8)
Related-party interest income	16.3	133.1
Realized and unrealized gains (losses) on derivative instruments, net	211.1	(170.5)
Foreign currency transaction losses, net	(230.9)	(245.8)
Losses on debt modification and extinguishment, net	(0.9)	(64.0)
Other income (expense), net	(15.6)	1.0
	(562.7)	(675.8)
Loss before income taxes	(471.0)	(482.3)
Income tax benefit	126.0	125.7
Net loss	(345.0)	(356.6)
Net loss attributable to noncontrolling interests	—	3.9
Net loss attributable to parent	€ (345.0)	€ (352.7)

(a) As retrospectively revised – see note 1 to our consolidated financial statements.

Revenue

Our revenue by major category is set forth below (in millions):

	Predecessor				
	Year ended December 31,		Increase (decrease)		Organic increase (decrease)
	2015 (a)	2014 (a)	€	%	%
		pro forma			
Subscription revenue (b):					
Video.....	€ 1,065.9	€ 1,108.0	€ (42.1)	(3.8)	(3.8)
Broadband internet	703.7	684.2	19.5	2.9	2.9
Fixed-line telephony	474.0	484.8	(10.8)	(2.2)	(2.2)
Cable subscription revenue	2,243.6	2,277.0	(33.4)	(1.5)	(1.5)
Mobile subscription revenue (c)	28.1	14.0	14.1	100.7	100.7
Total subscription revenue	2,271.7	2,291.0	(19.3)	(0.8)	(0.8)
B2B revenue (d)	162.8	166.1	(3.3)	(2.0)	(2.0)
Other revenue (c) (e)	52.4	95.7	(43.3)	(45.2)	(38.9)
Total.....	€ 2,486.9	€ 2,552.8	€ (65.9)	(2.6)	(2.2)

- (a) As retrospectively revised – see note 1 to our consolidated financial statements.
- (b) 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.
- (c) Mobile subscription revenue excludes mobile interconnect revenue of €2.9 million and €1.6 million during 2015 and 2014, respectively. Mobile interconnect revenue is included in other revenue.
- (d) 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 cable subscription revenue, aggregated €76.6 million and €66.4 million during 2015 and 2014, respectively.
- (e) Other revenue includes, among other items, programming, interconnect, late fee and installation revenue.

The decrease in our revenue during 2015, as compared to 2014, includes (i) a pro forma organic decrease of €55.9 million or 2.2% and (ii) the impact of the *Film I* Disposal, as set forth below:

	Predecessor		
	Subscription revenue	Non-subscription revenue (a) in millions	Total (a)
Pro forma decrease in cable subscription revenue due to change in:			
Average number of RGUs (b).....	€ (27.4)	€ —	€ (27.4)
ARPU (c)	(6.0)	—	(6.0)
Total pro forma decrease in cable subscription revenue.....	(33.4)	—	(33.4)
Pro forma increase in mobile subscription revenue (d).....	14.1	—	14.1
Total pro forma decrease in subscription revenue	(19.3)	—	(19.3)
Pro forma decrease in B2B revenue	—	(3.3)	(3.3)
Pro forma decrease in other revenue (e).....	—	(33.3)	(33.3)
Total pro forma organic decrease.....	(19.3)	(36.6)	(55.9)
Impact of the <i>Film I</i> Disposal	—	(10.0)	(10.0)
Total	€ (19.3)	€ (46.6)	€ (65.9)

- (a) As retrospectively revised – see note 1 to our consolidated financial statements.
- (b) The decrease in cable subscription revenue related to a change in the average number of RGUs is attributable to declines in the average numbers of basic video, enhanced video and fixed-line telephony RGUs that were only partially offset by an increase in the average number of broadband internet RGUs.
- (c) The decrease in cable subscription revenue related to a change in ARPU is attributable to the net effect of (i) a net decrease due to (a) lower ARPU from video and fixed-line telephony services and (b) higher ARPU from broadband internet services and (ii) an improvement in RGU mix.
- (d) The increase in mobile subscription revenue is primarily due to an increase in the average number of mobile subscribers.
- (e) The decrease in other revenue is primarily due to (i) a decrease in revenue of €20.3 million resulting from the termination of a partner network agreement shortly after the Ziggo Acquisition, (ii) a decrease in installation revenue and (iii) lower revenue from set-top box sales due to the fact that we stopped selling set-top boxes during the first quarter of 2015.

Programming and other direct costs of services

Our programming and other direct costs of services decreased €6.1 million or 1.3% during 2015, as compared to 2014. This decrease includes a decrease of €9.0 million attributable to the *Film I* Disposal. Excluding the effect of the *Film I* Disposal, our programming and other direct costs of services increased €2.9 million or 0.7%. This increase includes the following factors:

- An increase in programming and copyright costs of €36.3 million or 12.4%, primarily due to higher costs for certain premium and basic content;
- A decrease in other direct costs of €28.4 million primarily due to lower costs (i) associated with set-top box sales due to the fact that we stopped selling set-top boxes during the first quarter of 2015, (ii) resulting from fewer promotions involving free devices and (iii) due to the termination of a partner network agreement shortly after the Ziggo Acquisition; and
- A decrease in mobile access and interconnect costs of €2.2 million or 1.9%, primarily due to the net effect of (i) lower fixed-line telephony call volumes and (ii) increased costs attributable to higher mobile subscriber growth.

Other operating expenses

Our other operating expenses increased €4.2 million or 1.3% during 2015, as compared to 2014. During 2014, our other operating expenses included share-based compensation, which decreased €0.3 million during this comparative period. Excluding the effects of share-based compensation expense, our other operating expenses increased €4.5 million or 1.3%. This increase includes the following factors:

- A decrease in personnel costs of €11.4 million or 6.7%, primarily due to (i) decreased costs related to higher proportions of capitalizable activities and (ii) decreased staffing levels;
- An increase in outsourced labor and professional fees of €8.2 million or 15.6%, primarily due to higher call center costs. The higher call center costs represent third-party costs that are primarily related to network and product harmonization activities following the Ziggo Acquisition. These costs, together with certain other third-party customer care costs, accounted for an increase of €12.3 million;
- An increase in network-related expenses of €2.7 million or 3.6%, primarily due to the net effect of (i) an increase in network and customer premises equipment maintenance costs, (ii) an increase in third-party costs incurred of €2.0 million related to network harmonization activities following the Ziggo Acquisition and (iii) lower energy costs; and
- An increase in bad debt and collection expenses of €2.9 million.

SG&A expenses

Our SG&A expenses decreased €18.1 million or 4.8% during 2015, as compared to 2014. Our SG&A expenses include share-based compensation expense, which decreased €1.3 million. The decrease in SG&A expense also includes a decrease of €1.3 million attributable to the *Film 1* Disposal. Excluding the effects of share-based compensation expense and the *Film 1* Disposal, our SG&A expenses decreased €15.5 million or 4.2%. This decrease includes the following factors:

- A decrease in personnel costs of €17.6 million or 10.5%, primarily due to the net effect of (i) decreased staffing levels, (ii) lower incentive compensation costs, (iii) higher temporary personnel costs associated with the need to fill internal vacancies following staffing level reductions related to the Ziggo Acquisition and (iv) higher costs due to a lower proportion of capitalizable activities;
- An increase in external sales and marketing costs of €4.4 million or 3.8%, primarily due to the net effect of (i) higher costs associated with advertising campaigns and (ii) an increase in third-party costs of €3.6 million related to rebranding activities following the Ziggo Acquisition; and
- A decrease in outsourced labor and professional fees of €1.9 million or 8.2%, primarily due to the net effect of (i) decreased costs related to legal and certain other professional services and (ii) increased consulting costs related to integration activities during 2015 of €4.7 million.

Related-party fees and allocations

We recorded related-party fees and allocations of €152.9 million during 2015, as compared to €169.6 million during 2014. 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, during 2014, the use of the UPC trademark. For additional information, see note 13 to our consolidated financial statements.

Depreciation and amortization expense

Our depreciation and amortization expense increased €95.5 million or 10.1% during 2015, as compared to 2014. This increase is primarily due to the acceleration of depreciation on certain assets of Ziggo Holding that were acquired in connection with the Ziggo Acquisition.

Impairment, restructuring and other operating items, net

We recognized impairment, restructuring and other operating items, net, of €60.2 million and €83.1 million during 2015 and 2014, respectively. The 2015 amount primarily relates to (i) restructuring charges of €56.5 million that primarily comprises employee severance and termination costs related to certain reorganization activities following the Ziggo Acquisition, (ii) impairment charges of €5.3 million, primarily related to intangible assets acquired in the Ziggo Acquisition, and (iii) a gain of €5.3 million related to the sale of tangible assets. The 2014 amount primarily relates to (a) impairment charges of €69.8 million related to certain tangible assets and (b) restructuring charges of €18.4 million related to certain reorganization activities in anticipation of the Ziggo Acquisition.

Interest expense – third-party

Our third-party interest expense increased €129.6 million during 2015, as compared to 2014. This increase is primarily due to the issuance of the 2015 SPE Notes in January and February of 2015. For additional information regarding our third-party debt, see note 11 to our consolidated financial statements.

Interest expense – related-party

Our related-party interest expense increased €83.5 million or 55.7% during 2015, as compared to 2014. This increase is primarily due to the issuance of (i) the Liberty Global Broadband Note in November 2014 and (ii) the Liberty Global Europe Note in July 2015. For additional information regarding our related-party debt, see note 13 to our consolidated financial statements.

Interest income – related-party

Our related-party interest income decreased €116.8 million or 87.8% during 2015, as compared to 2014. This decrease is due to the settlements of the UPC Western Europe Loan Receivable and the UPC Broadband Loan Receivable during the first quarter of 2015. For additional information regarding our related-party loans receivable, see note 13 to our consolidated financial statements.

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

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

	Predecessor	
	Year ended December 31,	
	2015	2014
		pro forma
Cross-currency and interest rate derivative contracts (a)	€ 218.1	€ (182.5)
Foreign currency forward contracts	(7.0)	12.0
Total	<u>€ 211.1</u>	<u>€ (170.5)</u>

- (a) The gain during 2015 is primarily attributable to the net effect of (i) gains associated with a decrease in the value of the euro relative to the U.S. dollar, (ii) gains associated with increases in market interest rates in the euro market and (iii) losses associated with increases in market interest rates in the U.S. dollar market. In addition, the gain during 2015 includes a net gain of €1.4 million resulting from changes in our credit risk valuation adjustments. The loss during 2014 is primarily attributable to the net effect of (a) losses associated with decreases in market interest rates in the euro market and (b) gains associated with a decrease in the value of the euro relative to the U.S. dollar.

Foreign currency transaction losses, net

The details of our foreign currency transaction losses, net, are as follows (in millions):

	Predecessor	
	Year ended December 31,	
	2015	2014
		pro forma
U.S. dollar denominated debt	€ (234.3)	€ (248.4)
Other	3.4	2.6
Total.....	<u>€ (230.9)</u>	<u>€ (245.8)</u>

Losses on debt modification and extinguishment, net

We recognized losses on debt modification and extinguishment, net, of €0.9 million and €64.0 million during 2015 and 2014, respectively. The loss during 2014 is related to a refinancing transaction that was completed during the first quarter of 2014 in anticipation of the Ziggo Acquisition.

Income tax benefit

We recognized income tax benefits of €126.0 million and €125.7 million during 2015 and 2014, respectively.

The income tax benefits during 2015 and 2014 differ from the expected income tax benefits (based on the Dutch income tax rate of 25.0%) of €117.8 million and €120.6 million, respectively, primarily due to the tax benefits associated with technology innovation.

For additional information regarding our income taxes, see note 12 to our consolidated financial statements.

Net loss

During 2015 and 2014, we reported net losses of €345.0 million and €352.7 million, respectively, including (i) operating income of €91.7 million and €193.5 million, respectively, (ii) net non-operating expense of €562.7 million and €675.8 million, respectively, and (iii) income tax benefits of €126.0 million and €125.7 million, respectively.

Liquidity and Capital Resources

Sources and Uses of Cash

As a holding company, VodafoneZiggo's primary assets are its investments in consolidated subsidiaries. As further described in note 11 to our consolidated financial statements, the terms of the instruments governing the indebtedness of certain of these subsidiaries may restrict our ability to access the assets of these subsidiaries. The ability to access the liquidity of our subsidiaries may also be limited by tax and legal considerations and other factors. At December 31, 2016, substantially all of our (i) €59.9 million of consolidated cash and (ii) €2.9 billion of Escrowed Proceeds were held by our subsidiaries. For additional information regarding the use of the Escrowed Proceeds subsequent to December 31, 2016, see note 11 to our consolidated financial statements.

Liquidity of VodafoneZiggo

Our sources of liquidity at the parent level include (i) subject to the restrictions noted above, proceeds in the form of distributions or loans from our subsidiaries and (ii) prior to the closing of the JV Transaction, funding from Liberty Global or other Liberty Global subsidiaries in the form of loans or contributions, as applicable. Upon closing the JV Transaction, it is the intention of the Shareholders of the VodafoneZiggo JV, that VodafoneZiggo will be a self-funding company capable of financing its activities on a standalone basis without recourse to either Shareholder. No assurance can be given that funding from our subsidiaries or external sources would be available on favorable terms, or at all.

VodafoneZiggo's corporate liquidity requirements include corporate general and administrative expenses and fees associated with the JV Service Agreements. From time to time, VodafoneZiggo may also require cash in connection with (i) the repayment

of its related-party debt and interest, (ii) the funding of dividends or distributions pursuant to the Shareholders Agreement, which requires VodafoneZiggo to distribute all unrestricted cash (as defined in the Shareholders Agreement) to the Shareholders every two months (subject to VodafoneZiggo maintaining a minimum amount of cash and complying with the terms of its financing arrangements), (iii) the satisfaction of contingent liabilities, (iv) acquisitions and other investment opportunities or (v) income tax payments.

Liquidity of our Subsidiaries

In addition to cash, the primary sources of liquidity of our operating subsidiaries are cash provided by operations and, in the case of Ziggo B.V. and certain of its subsidiaries, any borrowing availability under the Revolving Facilities. For details of the borrowing availability under the Revolving Facilities, see note 11 to our consolidated financial statements.

The liquidity of our operating subsidiaries generally is used to fund property and equipment additions, 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 *Consolidated Statements of Cash Flows* below. Our subsidiaries may also require funding in connection with (i) the repayment of amounts due under the third-party and related-party debt instruments of our subsidiaries, (ii) acquisitions and other investment opportunities, (iii) distributions or loans to VodafoneZiggo (and ultimately to the Shareholders of the VodafoneZiggo JV) or (iv) the satisfaction of contingencies. No assurance can be given that any external funding would be available to our subsidiaries on favorable terms, or at all.

Capitalization

At December 31, 2016, our outstanding third-party debt and capital lease obligations aggregated €10.7 billion, including €275.3 million that is classified as current in our consolidated balance sheet and €10.3 billion that is not due until 2020 or thereafter. For additional information regarding our current debt maturities, see note 11 to our consolidated financial statements.

As further discussed in note 8 to our consolidated financial statements, we use derivative instruments to mitigate foreign currency and interest rate risk associated with our debt instruments.

Our ability to service or refinance our debt and to maintain compliance with the leverage covenants in our credit agreements and indentures is dependent primarily on our ability to maintain or increase our Covenant EBITDA and to achieve adequate returns on our property and equipment additions and acquisitions. Pursuant to the Shareholders Agreement, we expect to be managed with a leverage ratio between 4.5 and 5.0 times Covenant EBITDA. In addition, our ability to obtain additional debt financing is limited by the leverage covenants contained in the various debt instruments of our subsidiaries. In this regard, if our Covenant EBITDA were to decline, we could be required to repay or limit our borrowings under the Credit Facility 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 do not anticipate any instances of non-compliance with respect to any of our subsidiaries' debt covenants that would have a material adverse impact on our liquidity during the next 12 months.

At December 31, 2016 our working capital, excluding restricted cash, was negative. Notwithstanding this negative working capital position at December 31, 2016, we believe that we have sufficient resources to repay or refinance the current portion of our debt and capital lease obligations and to fund our foreseeable liquidity requirements during the next 12 months. However, as our maturing debt grows in later years, we anticipate that we will seek to refinance or otherwise extend our debt maturities. No assurance can be given that we will be able to complete these refinancing transactions or otherwise extend our debt maturities. In this regard, it is not possible to predict how political and economic conditions, sovereign debt concerns or any adverse regulatory developments could impact the credit markets we access and, accordingly, our future liquidity and financial position. However, (i) the financial failure of any of our counterparties could (a) reduce amounts available under committed credit facilities and (b) adversely impact our ability to access cash deposited with any failed financial institution and (ii) tightening of the credit markets could adversely impact our ability to access debt financing on favorable terms, or at all. In addition, sustained or increased competition, particularly in combination with adverse economic or regulatory developments, could have an unfavorable impact on our cash flows and liquidity.

All of our debt and capital lease obligations at December 31, 2016 have been borrowed or incurred by our subsidiaries.

For additional information regarding our debt and capital lease obligations, see note 11 to our consolidated financial statements.

Consolidated Statements of Cash Flows

Consolidated Statements of Cash Flows – 2016 compared to 2015

Summary. The 2016 and 2015 consolidated statements of cash flows are summarized as follows:

	Predecessor		
	Year ended December 31,		
	2016	2015 (a)	Change
		in millions	
Net cash provided by operating activities	€ 905.2	€ 1,045.0	€ (139.8)
Net cash used by investing activities	(394.7)	(306.6)	(88.1)
Net cash used by financing activities	(518.1)	(754.0)	235.9
Effect of exchange rate changes on cash	0.7	(3.3)	4.0
Net decrease in cash	€ (6.9)	€ (18.9)	€ 12.0

(a) As retrospectively revised – see note 1 to our consolidated financial statements.

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

Investing Activities. The increase in net cash used by our investing activities is primarily attributable to the net effect of (i) an increase in cash used of €140.7 million associated with higher advances to related parties and (ii) a decrease in cash used of €42.5 million due to lower capital expenditures.

The capital expenditures that we report in our consolidated statements of cash flows do not include amounts that our company has financed under vendor financing or capital lease arrangements. Instead, these amounts are reflected as non-cash additions to our property and equipment when the underlying assets are delivered and as repayments of debt when the principal is repaid. In this discussion, we refer to (i) our capital expenditures as reported in our consolidated statements of cash flows, which exclude amounts financed under vendor financing or capital lease arrangements, and (ii) our total property and equipment additions, which include our capital expenditures on an accrual basis and amounts financed under capital-related vendor financing or capital lease arrangements. For further details regarding our property and equipment additions and our debt, see notes 10 and 11, respectively, to our consolidated financial statements.

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

	Predecessor	
	Year ended December 31,	
	2016	2015 (a)
	in millions	
Property and equipment additions	€ 533.6	€ 484.2
Assets acquired under capital-related vendor financing arrangements	(179.7)	(86.7)
Assets acquired under related-party capital leases	—	(2.8)
Changes in current liabilities related to capital expenditures	(10.0)	(8.3)
Capital expenditures	€ 343.9	€ 386.4

(a) As retrospectively revised – see note 1 to our consolidated financial statements.

The increase in our property and equipment additions is primarily attributable to the net effect of (i) an increase in scalable infrastructure, (ii) a decrease in expenditures for new build and upgrade projects, (iii) an increase in expenditures for the purchase and installation of customer premises equipment and (iv) an increase in expenditures for support capital, such as information

technology upgrades and general support systems. During 2016 and 2015, our property and equipment additions represented 21.8% and 19.5% of our revenue, respectively.

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 €628.8 million related to lower related-party payments, (ii) an increase in cash used of €427.6 million related to lower net borrowings of third-party debt, (iii) a decrease in cash used of €125.9 million related to purchases of Ziggo Holding shares during 2015 following the completion of the Ziggo Acquisition and (iv) an increase in cash used of €79.3 million related to derivative instruments.

Consolidated Statements of Cash Flows – 2015 compared to 2014

Summary. The 2015 and 2014 consolidated statements of cash flows are summarized as follows:

	Predecessor			Change
	Year ended December 31,			
	2015 (a)	2014 (a)		
	in millions			
Net cash provided by operating activities.....	€ 1,045.0	€ 570.2	€ 474.8	
Net cash used by investing activities	(306.6)	(551.5)	244.9	
Net cash provided (used) by financing activities	(754.0)	12.2	(766.2)	
Effect of exchange rate changes on cash	(3.3)	(0.1)	(3.2)	
Net increase (decrease) in cash.....	€ (18.9)	€ 30.8	€ (49.7)	

(a) As retrospectively revised – see note 1 to our consolidated financial statements.

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

Investing Activities. The decrease in net cash used by our investing activities is primarily attributable to the net effect of (i) a decrease in cash used of €465.0 million associated with lower advances to related parties and (ii) an increase in cash used of €195.2 million due to higher capital expenditures.

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

	Predecessor	
	Year ended December 31,	
	2015 (a)	2014 (a)
	in millions	
Property and equipment additions	€ 484.2	€ 206.0
Assets acquired under capital-related vendor financing arrangements	(86.7)	(13.2)
Assets acquired under related-party capital leases	(2.8)	(3.5)
Changes in current liabilities related to capital expenditures	(8.3)	1.9
Capital expenditures	<u>€ 386.4</u>	<u>€ 191.2</u>

(a) As retrospectively revised – see note 1 to our consolidated financial statements.

The increase in our property and equipment additions is primarily attributable to the Ziggo Acquisition. During 2015 and 2014, our property and equipment additions represented 19.5% and 17.5% of our revenue, respectively.

Financing Activities. The change in net cash provided (used) by our financing activities is primarily attributable to the net effect of (i) a decrease in cash of €1,795.4 million related to higher related-party payments, (ii) an increase in cash of €883.2 million related to higher net borrowings of third-party debt, (iii) an increase in cash of €83.0 million related to lower purchases of Ziggo Holding shares following the completion of the Ziggo Acquisition and (iv) an increase in cash of €79.3 million related to derivative instruments.

Contractual Commitments

The following table sets forth the euro equivalents of our commitments as of December 31, 2016:

	Payments due during:						Total
	2017	2018	2019	2020	2021	Thereafter	
	in millions						
Debt (excluding interest):							
Third-party	€ 275.3	€ —	€ —	€ 71.7	€ —	€ 10,219.1	€ 10,566.1
Related-party	200.0	200.0	200.0	—	—	1,400.0	2,000.0
Capital leases (excluding interest)	1.6	0.8	0.2	—	—	—	2.6
JV Service Agreements (a)	216.7	165.2	140.1	130.2	104.2	194.2	950.6
Programming commitments	86.3	64.7	55.4	40.9	10.1	—	257.4
Purchase commitments	238.1	4.6	3.1	1.5	1.6	2.1	251.0
Network and connectivity commitments	29.3	26.9	23.3	19.8	16.3	67.0	182.6
Operating leases	24.1	33.8	22.6	15.4	11.1	10.7	117.7
Other commitments	13.4	14.3	9.3	3.9	2.5	1.2	44.6
Total (b)	<u>€1,084.8</u>	<u>€ 510.3</u>	<u>€ 454.0</u>	<u>€ 283.4</u>	<u>€ 145.8</u>	<u>€ 11,894.3</u>	<u>€ 14,372.6</u>
Projected cash interest payments on debt and capital lease obligations (c):							
Third-party	€ 445.9	€ 483.4	€ 483.0	€ 483.5	€ 480.6	€ 1,755.7	€ 4,132.1
Related-party	110.0	99.0	88.0	77.0	77.0	388.2	839.2
Total	<u>€ 555.9</u>	<u>€ 582.4</u>	<u>€ 571.0</u>	<u>€ 560.5</u>	<u>€ 557.6</u>	<u>€ 2,143.9</u>	<u>€ 4,971.3</u>

- (a) Amounts represent fixed minimum charges from Liberty Global and Vodafone pursuant to the JV Service Agreements. In addition to the fixed minimum charges, the JV Service Agreements provide for certain JV Services to be charged to us based upon usage of the services received. The fixed minimum charges set forth in the table above exclude fees for the usage-based services as these fees will vary from period to period. Accordingly, we expect to incur charges in addition to those set forth in the table above for usage-based services. For additional information concerning the JV Service Agreements, see note 4 to our consolidated financial statements.
- (b) The commitments included in this table do not reflect any liabilities that are included in our December 31, 2016 consolidated balance sheet other than debt and capital lease obligations.
- (c) Amounts include interest payments on third-party debt and capital lease obligations, as well as estimated interest payments on the Liberty Global Broadband Note and the Vodafone Note. Amounts related to third-party debt are based on interest rates, interest payment dates, commitment fees and contractual maturities in effect as of December 31, 2016. 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.

For additional information concerning our debt and capital lease obligations, see note 11 to our consolidated financial statements. For additional information concerning the Liberty Global Broadband Note and the Vodafone Note, see note 13 to our consolidated financial statements. For information concerning our commitments, see note 15 to our consolidated financial statements.

In addition to the commitments set forth in the table above, we have commitments under (i) derivative instruments and (ii) multiemployer benefit plans, pursuant to which we expect to make payments in future periods. For information regarding projected

cash flows associated with these derivative instruments, see *Projected Cash Flows Associated with Derivative Instruments* below. For information regarding our derivative instruments, including the net cash paid or received in connection with these instruments during 2016, 2015 and 2014, see note 8 to our consolidated financial statements.

Projected Cash Flows Associated with Derivative Instruments

The following table provides information regarding the projected cash flows associated with our derivative instruments. The euro equivalents presented below are based on interest rates and exchange rates that were in effect as of December 31, 2016. These amounts are presented for illustrative purposes only and will likely differ from the actual cash payments required in future periods. For additional information regarding our derivative instruments, including our counterparty credit risk, see note 8 to our consolidated financial statements.

	Payments (receipts) due during:						Total
	2017	2018	2019	2020	2021	Thereafter	
	in millions						
Projected derivative cash payments (receipts), net:							
Interest-related (a).....	€ 38.3	€ 13.0	€ 13.1	€ 13.4	€ 7.4	€ (94.8)	€ (9.6)
Principal-related (b).....	—	—	—	—	—	(584.0)	(584.0)
Total.....	<u>€ 38.3</u>	<u>€ 13.0</u>	<u>€ 13.1</u>	<u>€ 13.4</u>	<u>€ 7.4</u>	<u>€ (678.8)</u>	<u>€ (593.6)</u>

(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.

Critical Accounting Policies, Judgments and Estimates

The following accounting policy discussion relates to policies, judgments and estimates used during the Predecessor period.

In connection with the preparation of our consolidated financial statements, we make estimates and assumptions that affect the reported amounts of assets and liabilities, revenue and expenses and related disclosure of contingent assets and liabilities. Critical accounting policies are defined as those policies that are reflective of significant judgments, estimates and uncertainties, which would potentially result in materially different results under different assumptions and conditions. We believe the following accounting policies are critical in the preparation of our consolidated financial statements because of the judgment necessary to account for these matters and the significant estimates involved, which are susceptible to change:

- Impairment of property and equipment and intangible assets (including goodwill);
- Costs associated with construction and installation activities;
- Useful lives of long-lived assets;
- Fair value measurements; and
- Income tax accounting.

For additional information concerning our significant accounting policies, see note 3 to our consolidated financial statements.

Impairment of Property and Equipment and Intangible Assets

Carrying Value. The aggregate carrying value of our property and equipment and intangible assets (including goodwill) that was held for use comprised 84.1% of our total assets at December 31, 2016.

When circumstances warrant, we review the carrying amounts of our property and equipment and our intangible assets (other than goodwill and other indefinite-lived intangible assets) to determine whether such carrying amounts continue to be recoverable. Such changes in circumstance may include (i) an expectation of a sale or disposal of a long-lived asset or asset group, (ii) adverse changes in market or competitive conditions, (iii) an adverse change in legal factors or business climate in the market in which we operate and (iv) operating or cash flow losses. For purposes of impairment testing, long-lived assets are grouped at the lowest level for which cash flows are largely independent of other assets and liabilities. If the carrying amount of the asset or asset group is greater than the expected undiscounted cash flows to be generated by such asset or asset group, an impairment adjustment is recognized. Such adjustment is measured by the amount that the carrying value of such asset or asset group exceeds its fair value. We generally measure fair value by considering (a) sale prices for similar assets, (b) discounted estimated future cash flows using an appropriate discount rate and/or (c) estimated replacement cost. Assets to be disposed of are recorded at the lower of their carrying amount or fair value less costs to sell.

We evaluate goodwill and other indefinite-lived intangible assets for impairment at least annually on October 1 and whenever facts and circumstances indicate that their carrying amounts may not be recoverable. For impairment evaluations with respect to both goodwill and other indefinite-lived intangible assets, we first make a qualitative assessment to determine if the goodwill or our other indefinite-lived intangible assets may be impaired. In the case of goodwill, if it is more-likely-than-not that the reporting unit's fair value is less than its carrying value, we then compare the fair value of the reporting unit to its respective carrying amount. A reporting unit is an operating segment or one level below an operating segment (referred to as a "component"). If the carrying value of the reporting unit were to exceed its fair value, we would then compare the implied fair value of the reporting unit's goodwill to its carrying amount, and any excess of the carrying amount over the fair value would be charged to operations as an impairment loss. With respect to other indefinite-lived intangible assets, if it is more-likely-than-not that the fair value of an indefinite-lived intangible asset is less than its carrying value, we then estimate its fair value and any excess of the carrying value over the fair value is also charged to operations as an impairment loss.

When required, considerable management judgment is necessary to estimate the fair value of reporting units and underlying long-lived and indefinite-lived assets. We typically determine fair value using an income-based approach (discounted cash flows) based on assumptions in our long-range business plans and, in some cases, a combination of an income-based approach and a market-based approach. With respect to our discounted cash flow analysis used in the income-based approach, the timing and amount of future cash flows under these business plans require estimates of, among other items, subscriber growth and retention rates, rates charged per product, expected gross margins and Segment OCF margins (Segment OCF divided by revenue) and

expected property and equipment additions. The development of these cash flows, and the discount rate applied to the cash flows, is subject to inherent uncertainties, and actual results could vary significantly from such estimates. Our determination of the discount rate is based on a weighted average cost of capital approach, which uses a market participant's cost of equity and after-tax cost of debt and reflects the risks inherent in the cash flows. Based on the results of our October 1, 2016 qualitative assessment of our reporting unit carrying value, we determined that it was more-likely-than-not that fair value exceeded carrying value for our reporting unit.

During the three years ended December 31, 2016, the most significant impairment charge that we recorded with respect to our property and equipment and intangible assets was the €56.8 million impairment charge that we recorded during the fourth quarter of 2014 to reduce the carrying amount of certain internal-use software assets to zero as these assets are not used by our operations following the Ziggo Acquisition.

If, among other factors, (i) our enterprise value was to decline significantly or (ii) the adverse impacts of economic, competitive, regulatory or other factors were to cause our results of operations or cash flows to be worse than anticipated, we could conclude in future periods that impairment charges are required in order to reduce the carrying values of our goodwill and, to a lesser extent, other long-lived assets. Any such impairment charges could be significant.

Costs Associated with Construction and Installation Activities

We capitalize costs associated with the construction of new cable and mobile transmission and distribution facilities and the installation of new cable services. Installation activities that are capitalized include (i) the initial connection (or drop) from our cable system to a customer location, (ii) the replacement of a drop and (iii) the installation of equipment for additional services, such as digital cable, telephone or broadband internet service. The costs of other customer-facing activities, such as reconnecting customer locations where a drop already exists, disconnecting customer locations and repairing or maintaining drops, are expensed as incurred.

The nature and amount of labor and other costs to be capitalized with respect to construction and installation activities involves significant judgment. In addition to direct external and internal labor and materials, we also capitalize other costs directly attributable to our construction and installation activities, including dispatch costs, quality-control costs, vehicle-related costs and certain warehouse-related costs. The capitalization of these costs is based on time sheets, time studies, standard costs, call tracking systems and other verifiable means that directly link the costs incurred with the applicable capitalizable activity. We continuously monitor the appropriateness of our capitalization policies and update the policies when necessary to respond to changes in facts and circumstances, such as the development of new products and services, and changes in the manner that installations or construction activities are performed.

Useful Lives of Long-Lived Assets

We depreciate our property and equipment on a straight-line basis over the estimated useful lives of the assets. The determination of the useful lives of property and equipment requires significant management judgment, based on factors such as the estimated physical lives of the assets, technological changes, changes in anticipated use, legal and economic factors, rebuild and equipment swap-out plans, and other factors. Our intangible assets with finite lives primarily consist of customer relationships. Customer relationship intangible assets are amortized on a straight-line basis over the estimated weighted average life of the customer relationships. The determination of the estimated useful life of customer relationship intangible assets requires significant management judgment and is primarily based on historical and forecasted subscriber disconnect rates, adjusted when necessary for risk associated with demand, competition, technological changes and other economic factors. We regularly review whether changes to estimated useful lives are required in order to accurately reflect the economic use of our property and equipment and intangible assets with finite lives. Any changes to estimated useful lives are reflected prospectively. Our depreciation and amortization expense during 2016, 2015 and 2014 was €917.4 million, €1,038.1 million and €297.4 million, respectively. A 10.0% increase in the aggregate amount of our depreciation and amortization expense during 2016 would have resulted in a €91.7 million or 65.6% decrease in our 2016 operating income.

Fair Value Measurements

U.S. GAAP provides guidance with respect to the recurring and nonrecurring fair value measurements and for a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted market prices included within 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.

Recurring Valuations. We perform recurring fair value measurements with respect to our derivative instruments. We use cash flow valuation models to determine the fair values of our interest rate and foreign currency derivative instruments. For a detailed discussion of the inputs we use to determine the fair value of our derivative instruments, see note 9 to our consolidated financial statements. See also note 8 to our consolidated financial statements for information concerning our derivative instruments.

Changes in the fair values of our derivative instruments have had, and we believe will continue to have, a significant and volatile impact on our results of operations. During 2016, 2015 and 2014, we recognized net gains (losses) of (€134.2 million), €211.1 million and €26.2 million, respectively, attributable to changes in the fair values of these items.

As further described in note 9 to our consolidated financial statements, actual amounts received or paid upon the settlement or disposition of these instruments may differ materially from the recorded fair values at December 31, 2016.

Nonrecurring Valuations. Our nonrecurring valuations are primarily associated with (i) the application of acquisition accounting, (ii) impairment assessments and (iii) fair value assessments in connection with the closing of the JV Transaction, each of which require that we make fair value determinations as of the applicable valuation date. In making these determinations, we are required to make estimates and assumptions that affect the recorded amounts, including, but not limited to, expected future cash flows, market comparables and discount rates, remaining useful lives of long-lived assets, replacement or reproduction costs of property and equipment and the amounts to be recovered in future periods from acquired net operating losses and other deferred tax assets. To assist us in making these fair value determinations, we may engage third-party valuation specialists. Our estimates in this area impact, among other items, the amount of depreciation and amortization, impairment charges and income tax expense or benefit that we report. Our estimates of fair value are based upon assumptions we believe to be reasonable, but which are inherently uncertain. A significant portion of our long-lived assets were initially recorded through the application of acquisition accounting and all of our long-lived assets are subject to impairment assessments. For additional information, including the specific weighted average discount rates that we used to complete certain nonrecurring valuations, see note 9 to our consolidated financial statements. For information regarding our acquisitions and long-lived assets, see notes 5 and 10 to our consolidated financial statements, respectively.

Income Tax Accounting

We are required to estimate the amount of tax payable or refundable for the current year and the deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts and income tax basis of assets and liabilities and the expected benefits of utilizing net operating loss and tax credit carryforwards, using enacted tax rates in effect for each taxing jurisdiction in which we operate for the year in which those temporary differences are expected to be recovered or settled. This process requires our management to make assessments regarding the timing and probability of the ultimate tax impact of such items.

Net deferred tax assets are reduced by a valuation allowance if we believe it more-likely-than-not such net deferred tax assets will not be realized. Establishing or reducing a tax valuation allowance requires us to make assessments about the timing of future events, including the probability of expected future taxable income and available tax planning strategies. At December 31, 2016, the aggregate valuation allowance provided against deferred tax assets was €1.2 million. The actual amount of deferred income tax benefits realized in future periods will likely differ from the net deferred tax assets reflected in our December 31, 2016 consolidated balance sheet due to, among other factors, possible future changes in income tax law or interpretations thereof in the jurisdictions in which we operate and differences between estimated and actual future taxable income. Any such factors could have a material effect on our current and deferred tax positions as reported in our consolidated financial statements. A high degree of judgment is required to assess the impact of possible future outcomes on our current and deferred tax positions.

For additional information concerning our income taxes, see note 12 to our consolidated financial statements.

Independent Auditors' Report

The Board of Directors
VodafoneZiggo Group B.V.:

Report on the Financial Statements

We have audited the accompanying consolidated financial statements of VodafoneZiggo Group B.V. (a B.V. registered in the Netherlands) and its subsidiaries, which comprise the consolidated balance sheets as of December 31, 2016 and 2015, and the related consolidated statements of operations, owner's equity, and cash flows for the years ended December 31, 2016, 2015 and 2014, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly in all material respects, the financial position of VodafoneZiggo Group B.V. and its subsidiaries as of December 31, 2016 and 2015, and the results of their operations and their cash flows for the years ended December 31, 2016, 2015 and 2014, in accordance with U.S. generally accepted accounting principles.

Emphasis of Matter

As disclosed in note 1 and note 6, the consolidated balance sheets as of December 31, 2016 and 2015, the consolidated statements of operations, owners' equity, and cash flows for the years ended December 31, 2016, 2015, and 2014 and the related notes to the consolidated financial statements have been adjusted to give retrospective effect to transactions accounted for as common control transfers. Our conclusion is not modified with respect to this matter.

Amstelveen, the Netherlands
March 31, 2017

KPMG Accountants N.V.

VODAFONEZIGGO GROUP B.V.
CONSOLIDATED BALANCE SHEETS
(in millions)

	Successor	Predecessor
	December 31, 2016	December 31, 2015 (a)
ASSETS		
Current assets:		
Cash.....	€ 59.9	€ 12.8
Restricted cash (note 11).....	2,979.4	—
Trade receivables, net	293.1	65.9
Related-party receivables (note 13)	14.9	8.5
Value-added taxes (VAT) receivable, net (note 13)	119.4	0.3
Prepaid expenses	44.2	17.8
Inventory held for sale, net	32.2	2.4
Derivative instruments (note 8)	20.4	16.1
Other current assets, net	25.3	17.7
Total current assets.....	3,588.8	141.5
Property and equipment, net (note 10)	5,462.9	2,810.4
Goodwill (note 10)	7,310.4	7,225.9
Intangible assets subject to amortization, net (note 10)	7,879.7	3,456.1
Other assets, net (notes 2, 8, 10 and 12).....	309.3	416.6
Total assets.....	€ 24,551.1	€ 14,050.5

(a) As retrospectively revised – see note 1.

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

VODAFONEZIGGO GROUP B.V.
CONSOLIDATED BALANCE SHEETS — (Continued)
(in millions)

	Successor	Predecessor
	December 31, 2016	December 31, 2015 (a)
LIABILITIES AND OWNER'S EQUITY		
Current liabilities:		
Accounts payable (note 13).....	€ 322.0	€ 179.2
Related-party distribution payable (note 11).....	2,844.0	—
Accrued and other current liabilities:		
Third-party (note 14).....	332.2	234.0
Related-party (note 13)	14.3	72.2
Deferred revenue and advance payments from subscribers and others.....	205.6	182.6
Derivative instruments (note 8).....	189.2	94.1
Accrued interest (note 13)	122.7	100.5
VAT payable.....	51.8	63.3
Current portion of debt and capital lease obligations (note 11):		
Third-party	275.3	115.9
Related-party (note 13)	201.6	3.7
Total current liabilities.....	4,558.7	1,045.5
Long-term debt and capital lease obligations (note 11):		
Third-party	10,388.5	7,231.8
Related-party (note 13).....	1,801.0	3,132.2
Deferred income taxes (note 12).....	1,514.5	694.9
Other long-term liabilities (notes 3, 8, 13 and 14).....	349.3	539.0
Total liabilities.....	18,612.0	12,643.4
Commitments and contingencies (notes 4, 8, 12 and 15)		
Total owner's equity (note 4)	5,939.1	1,407.1
Total liabilities and owner's equity.....	€ 24,551.1	€ 14,050.5

(a) As retrospectively revised – see note 1.

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

VODAFONEZIGGO GROUP B.V.
CONSOLIDATED STATEMENTS OF OPERATIONS

	Predecessor		
	Year ended December 31,		
	2016	2015 (a)	2014 (a)
	in millions		
Revenue (notes 13 and 16).....	€ 2,446.8	€ 2,486.9	€ 1,176.9
Operating costs and expenses (exclusive of depreciation and amortization, shown separately below):			
Programming and other direct costs of services (note 13)	474.9	446.1	221.4
Other operating (note 13).....	313.4	340.1	147.0
Selling, general and administrative (SG&A) (note 13).....	341.4	357.8	161.6
Related-party fees and allocations (note 13)	233.1	152.9	91.9
Depreciation and amortization (note 10)	917.4	1,038.1	297.4
Impairment, restructuring and other operating items, net (notes 4, 5, 10 and 14) ..	26.8	60.2	127.6
	<u>2,307.0</u>	<u>2,395.2</u>	<u>1,046.9</u>
Operating income	<u>139.8</u>	<u>91.7</u>	<u>130.0</u>
Non-operating income (expense):			
Interest expense:			
Third-party	(363.1)	(309.4)	(47.0)
Related-party (note 13).....	(163.8)	(233.3)	(149.8)
Interest income:			
Third-party	4.0	—	—
Related-party (note 13).....	—	16.3	133.0
Realized and unrealized gains (losses) on derivative instruments, net (note 8)	(134.2)	211.1	26.2
Unrealized gains due to changes in fair value of investment (notes 7 and 9)	—	—	165.0
Foreign currency transaction losses, net.....	(78.1)	(230.9)	(56.8)
Losses on debt modification and extinguishment, net (note 11)	(14.3)	(0.9)	(1.9)
Other expense, net	(17.9)	(15.6)	(1.0)
	<u>(767.4)</u>	<u>(562.7)</u>	<u>67.7</u>
Earnings (loss) before income taxes	<u>(627.6)</u>	<u>(471.0)</u>	<u>197.7</u>
Income tax benefit (expense) (notes 12 and 13)	183.0	126.0	(33.7)
Net earnings (loss).....	<u>(444.6)</u>	<u>(345.0)</u>	<u>164.0</u>
Net loss attributable to noncontrolling interests.....	—	—	3.9
Net earnings (loss) attributable to parent.....	<u>€ (444.6)</u>	<u>€ (345.0)</u>	<u>€ 167.9</u>

(a) As retrospectively revised – see note 1.

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

VODAFONEZIGGO GROUP B.V.
CONSOLIDATED STATEMENTS OF OWNERS' EQUITY

	<u>Parent's equity</u>	<u>Noncontrolling interests</u>	<u>Total owners' equity</u>
	<u>in millions</u>		
Predecessor:			
Balance at January 1, 2014 (a)	€ 2,593.7	€ 36.4	€ 2,630.1
Net earnings	167.9	(3.9)	164.0
Contribution of Ziggo Holding shares (note 7).....	353.7	—	353.7
Related-party allocation of current tax expense (note 12).....	73.1	—	73.1
Deemed distribution to Liberty Global CM B.V. (note 13).....	(45.3)	—	(45.3)
Conversion of related-party loan receivable and related accrued interest to equity (note 13)	—	(54.3)	(54.3)
Deemed contribution of technology-related services (note 13).....	37.0	—	37.0
Noncontrolling interest established in connection with the Ziggo Acquisition	—	867.0	867.0
Impact of Ziggo NCI Acquisition and Statutory Squeeze-out (note 5)	(21.0)	(867.0)	(888.0)
Share-based compensation.....	5.6	—	5.6
Capital charge in connection with the exercise of share-based incentive awards (note 13)	(1.9)	—	(1.9)
Excess of carrying value over consideration received for property and equipment transferred to entities under common control (note 13)	(2.5)	—	(2.5)
Other	3.9	—	3.9
Balance at December 31, 2014 (a)	€ 3,164.2	€ (21.8)	€ 3,142.4

(a) As retrospectively revised – see note 1.

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

VODAFONEZIGGO GROUP B.V.
CONSOLIDATED STATEMENTS OF OWNERS' EQUITY — (Continued)

	<u>Parent's equity</u>	<u>Noncontrolling interests</u>	<u>Total owners' equity</u>
		in millions	
Predecessor:			
Balance at December 31, 2014 (a)	€ 3,164.2	€ (21.8)	€ 3,142.4
Net loss	(345.0)	—	(345.0)
Conversion of related-party loan receivable and related accrued interest to equity (note 13)	(953.4)	—	(953.4)
Distribution in connection with the novation of third-party debt from another subsidiary of Liberty Global (note 11)	(689.2)	—	(689.2)
Conversion of Liberty Global Services Note Payable to equity (note 13)	120.8	—	120.8
Conversion of Liberty Global CM BV Note Payable to equity (note 13)	98.1	—	98.1
Impact of deconsolidation of previously consolidated entities (note 1)	—	21.8	21.8
Deemed contribution of technology-related services (note 13)	25.0	—	25.0
Related-party allocation of current tax benefit (note 12)	(14.4)	—	(14.4)
Share-based compensation	6.5	—	6.5
Capital charge in connection with the exercise of share-based incentive awards (note 13)	(4.4)	—	(4.4)
Excess consideration received over the carrying value of property and equipment transferred to entities under common control (note 13)	1.1	—	1.1
Other	(2.2)	—	(2.2)
Balance at December 31, 2015 (a)	<u>€ 1,407.1</u>	<u>€ —</u>	<u>€ 1,407.1</u>

(a) As retrospectively revised – see note 1.

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

VODAFONEZIGGO GROUP B.V.
CONSOLIDATED STATEMENTS OF OWNER'S EQUITY — (Continued)

	Total owner's equity
	in millions
Predecessor:	
Balance at December 31, 2015 (a)	€ 1,407.1
Net loss	(444.6)
Conversion of Liberty Global Europe Note to equity (note 13)	2,449.5
Techtix termination fee, net of tax (note 13)	(543.0)
Conversion of obligation arising from Techtix termination fee to equity (note 13)	724.0
Contribution of VAT paid by Liberty Global on behalf of Old Ziggo (note 13)	152.0
Distribution of net operating losses to Liberty Global Europe (note 13)	(42.5)
Share-based compensation	8.8
Capital charge in connection with the exercise of share-based incentive awards (note 13)	(3.9)
Excess consideration received over the carrying value of property and equipment transferred to entities under common control (note 13)	(1.0)
Other	4.0
Balance at December 31, 2016 prior to closing of the JV Transaction	<u>€ 3,710.4</u>
Successor:	
Balance at December 31, 2016 after closing of the JV Transaction	<u>€ 5,939.1</u>

(a) As retrospectively revised – see note 1.

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

VODAFONEZIGGO GROUP B.V.
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Predecessor		
	Year ended December 31,		
	2016	2015 (a)	2014 (a)
	in millions		
Cash flows from operating activities:			
Net earnings (loss)	€ (444.6)	€ (345.0)	€ 164.0
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:			
Share-based compensation expense	8.8	6.5	5.6
Related-party fees and allocations	233.1	152.9	91.9
Depreciation and amortization	917.4	1,038.1	297.4
Impairment, restructuring and other operating items, net	26.8	60.2	127.6
Related-party interest expense	163.8	233.3	149.8
Related-party interest income	—	(16.3)	(133.0)
Amortization of deferred financing costs and non-cash interest	2.9	2.8	0.4
Realized and unrealized losses (gains) on derivative instruments, net	134.2	(211.1)	(26.2)
Unrealized gains due to changes in fair value of investment	—	—	(165.0)
Foreign currency transaction losses, net	78.1	230.9	56.8
Losses on debt modification and extinguishment of debt, net	14.3	0.9	1.9
Related-party allocation of current tax expense (benefit)	—	(14.4)	73.1
Deferred income tax benefit	(183.0)	(108.8)	(39.4)
Changes in operating assets and liabilities, net of the effects of an acquisition:			
Receivables and other operating assets	51.3	90.0	(0.1)
Payables and accruals	(97.9)	(75.0)	(34.6)
Net cash provided by operating activities	905.2	1,045.0	570.2
Cash flows from investing activities:			
Capital expenditures	(343.9)	(386.4)	(191.2)
Net receipts from (advances to) related parties	(51.4)	89.3	(375.7)
Net cash acquired in connection with the Ziggo Acquisition	—	—	13.5
Other investing activities, net	0.6	(9.5)	1.9
Net cash used by investing activities	€ (394.7)	€ (306.6)	€ (551.5)

(a) As retrospectively revised – see note 1.

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

VODAFONEZIGGO GROUP B.V.
CONSOLIDATED STATEMENTS OF CASH FLOWS — (Continued)

	Predecessor		
	Year ended December 31,		
	2016	2015 (a)	2014 (a)
	in millions		
Cash flows from financing activities:			
Related-party receipts (payments), net.....	€ (434.0)	€ (1,062.8)	€ 732.6
Repayments of third-party debt and capital lease obligations	(419.1)	(425.6)	(950.8)
Borrowings of third-party debt	359.3	793.4	435.4
Payments of financing costs.....	(19.6)	(8.9)	(10.4)
Purchase of additional shares of Ziggo Holding through the Statutory Squeeze-out and the Ziggo NCI Acquisition	—	(125.9)	(208.9)
Net cash received related to derivative instruments.....	—	79.3	—
Cash received relating to a leasing transaction	—	—	21.8
Other financing activities, net	(4.7)	(3.5)	(7.5)
Net cash provided (used) by financing activities.....	(518.1)	(754.0)	12.2
Effect of exchange rate changes on cash	0.7	(3.3)	(0.1)
Net increase (decrease) in cash.....	(6.9)	(18.9)	30.8
Cash:			
Beginning of year.....	12.8	31.7	0.9
Cash contributed from Vodafone NL upon closing of the JV Transaction.....	54.0	—	—
End of year	€ 59.9	€ 12.8	€ 31.7
Cash paid for interest.....	€ 341.5	€ 245.6	€ 40.4
Cash paid (refunded) for taxes	€ (2.8)	€ 3.5	€ —

(a) As retrospectively revised – see note 1.

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

VODAFONEZIGGO GROUP B.V.
Notes to Consolidated Financial Statements
December 31, 2016, 2015 and 2014

(1) Basis of Presentation

VodafoneZiggo Group B.V. (**VodafoneZiggo**), formerly known as Ziggo Group Holding B.V., provides video, broadband internet, fixed-line telephony and mobile services to residential and business customers in the Netherlands. VodafoneZiggo's primary subsidiaries consist of (i) UPC Nederland Holding I B.V. (**UPC Nederland Holding**) and its subsidiaries, including Ziggo Services B.V. (**Ziggo Services**), (ii) LGE HoldCo VI B.V. (**HoldCo VI**) and its subsidiaries, including LGE HoldCo VII B.V. (**HoldCo VII**), LGE HoldCo V B.V. (**HoldCo V**) and HoldCo V's subsidiary, Ziggo Holding B.V. (**Ziggo Holding**) and (iii) effective December 31, 2016 upon closing the JV Transaction, as defined and described in note 4, Vodafone Nederland Holding I B.V. (**Vodafone NL Holding**) and its subsidiaries, which includes Vodafone NL (as defined below). In these notes, the terms "we," "our," "our company" and "us" may refer, as the context requires, to VodafoneZiggo (or its predecessor, herein referred to as "**Old Ziggo**") or collectively to VodafoneZiggo (or its predecessor) and its subsidiaries after giving effect to the JV Transaction, as defined in note 4, and the common control transfers as described below.

Prior to the closing of the JV Transaction, VodafoneZiggo was a wholly-owned subsidiary of Liberty Global plc (**Liberty Global**). On December 31, 2016, and upon closing the JV Transaction, VodafoneZiggo became a wholly-owned subsidiary of VodafoneZiggo Group Holding B.V. (**VodafoneZiggo Group Holding**). VodafoneZiggo Group Holding is a newly-formed entity that was formed as a 50:50 joint venture among Vodafone Group plc (**Vodafone**) and Liberty Global (the **VodafoneZiggo JV**). In connection with the closing of the JV Transaction, Vodafone Libertel B.V. (**Vodafone NL**) became an indirect wholly-owned subsidiary of VodafoneZiggo. Vodafone NL and its subsidiaries operated Vodafone's mobile business in the Netherlands. For additional information regarding the JV Transaction and the formation of the VodafoneZiggo JV, see note 4.

As further described in note 4, as a result of closing of the JV Transaction and the formation of the VodafoneZiggo JV, we have a new basis of accounting effective December 31, 2016. In these consolidated financial statements (i) the financial position as of December 31, 2015 and the results of operations and cash flows for the years ended December 31, 2016, 2015 and 2014 prior to the close of the JV Transaction are labeled "**Predecessor**" and reflect the historical accounting basis in the assets and liabilities of Old Ziggo, and (ii) the financial position as of December 31, 2016 following the close of the JV Transaction is labeled "**Successor**" and reflects the push down of the VodafoneZiggo JV's basis of accounting in the new fair values of the assets and liabilities of the VodafoneZiggo JV contributed businesses. Our consolidated financial statements and footnotes include a black line division, which appears between the columns titled Predecessor and Successor, which signifies that the amounts shown for the periods prior to and following the JV Transaction are not comparable.

In October 2016, we acquired 100% of the equity of Liberty Global Content Netherlands B.V. (**Ziggo Sport**) in exchange for shares of Old Ziggo (the **Ziggo Sport Transfer**). We have reflected the Ziggo Sport Transfer at carryover basis as Ziggo Sport and Old Ziggo were under the common control of Liberty Global. Accordingly, our consolidated balance sheet as of December 31, 2015 and our consolidated statements of operations, owners' equity and cash flows for the years ended December 31, 2015 and 2014 have been retrospectively revised to give effect to the Ziggo Sport Transfer.

On November 6, 2014, we acquired 100% of the equity of HoldCo VI from another subsidiary of Liberty Global in exchange for shares of Old Ziggo (the **HoldCo VI Transfer**). As a result of the HoldCo VI Transfer, the following entities have been included in our consolidated financial statements for the following periods during which they were under the common control of Liberty Global: (i) HoldCo V, HoldCo VI and HoldCo VII from January 1, 2014 and (ii) Ziggo Holding from the Ziggo Acquisition Date, as defined below. On the date of the HoldCo VI Transfer, HoldCo VI indirectly held, through HoldCo V, all 41,329,850 shares of Ziggo Holding that Liberty Global subsidiaries had acquired from March 2013 through July 2013, net of those shares used to settle a derivative instrument. For additional information regarding HoldCo V's acquisition of Ziggo Holding shares prior to the Ziggo Acquisition, as defined and described below, see note 7.

On November 11, 2014 (the **Ziggo Acquisition Date**), HoldCo V acquired a controlling interest in Ziggo Holding (the **Ziggo Acquisition**). We accounted for this transaction using the acquisition method of accounting. For additional information regarding the Ziggo Acquisition and the subsequent acquisition of additional Ziggo Holding shares, see note 5.

During the first quarter of 2015, Liberty Global undertook various financing transactions in connection with certain internal reorganizations of its broadband and wireless communications businesses in Europe. As a part of these reorganizations, 100% of the shares of Ziggo Services were transferred on March 5, 2015 from UPC Western Europe Holding B.V. (**UPC Western Europe**), another subsidiary of Liberty Global, to Old Ziggo in exchange for shares of Old Ziggo (the **Ziggo Services Transfer**).

VODAFONEZIGGO GROUP B.V.
Notes to Consolidated Financial Statements — (Continued)
December 31, 2016, 2015 and 2014

As the Ziggo Services Transfer and the HoldCo VI Transfer constitute transactions between entities under common control, we have reflected these transfers at carryover basis, and our consolidated financial statements give effect to these transfers for all periods during which (i) Old Ziggo, (ii) UPC Nederland Holding and each of its subsidiaries and (iii) HoldCo VI and each of its subsidiaries were under the common control of Liberty Global. After giving effect to the Ziggo Services Transfer, Ziggo Services is included in our consolidated financial statements for all periods presented and Ziggo Holding is included in our consolidated financial statements on and after the Ziggo Acquisition Date.

Unitymedia International GmbH (**UMI**), UPC Equipment B.V. (**UPC Equipment**) and UPC International Operations B.V. (**UPC International**) are variable interest entities that were formed for the purpose of acquiring and legally owning certain customer premises equipment assets that were leased to Ziggo Services, including certain assets that were the subject of sale and leaseback transactions. Although we had no equity or voting interest in UMI, UPC Equipment or UPC International, substantially all of the revenue of these entities was derived from Ziggo Services through December 31, 2014, and Ziggo Services had the substantive power to direct the significant activities of these entities. As such, Ziggo Services was required to consolidate UMI, UPC Equipment and UPC International through December 31, 2014. Subsequent to December 31, 2014, and in anticipation of the Ziggo Services Transfer, the leasing transactions between (i) Ziggo Services and (ii) UMI, UPC Equipment and UPC International were unwound. Accordingly, effective January 1, 2015, we no longer consolidate UMI, UPC Equipment or UPC International.

Our functional currency is the euro (€). Unless otherwise indicated, convenience translations into the euro are calculated as of December 31, 2016.

These consolidated financial statements reflect our consideration of the accounting and disclosure implications of subsequent events through March 31, 2017, the date of issuance.

(2) Accounting Changes and Recent Accounting Pronouncements

Accounting Changes

In April 2015, the Financial Accounting Standards Board (**FASB**) issued Accounting Standards Update (**ASU**) No. 2015-03, *Simplifying the Presentation of Debt Issuance Costs (ASU 2015-03)*, which requires debt issuance costs related to a recognized debt liability to be presented on the balance sheet as a reduction of debt, similar to the presentation of debt discounts. For public entities, ASU 2015-03 was effective for annual reporting periods beginning after December 15, 2015. We adopted ASU 2015-03 on January 1, 2016 and, accordingly, deferred financing costs are presented as a reduction of debt in our December 31, 2016 and 2015 consolidated balance sheets. Prior to the adoption of ASU 2015-03, we presented deferred financing costs in other assets, net.

Recent Accounting Pronouncements

ASU 2014-09

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

- When we enter into contracts to provide services to our customers, we often provide time-limited discounts or free service periods. Under current accounting rules, we recognize revenue net of discounts during the promotional periods and do not recognize any revenue during free service periods. Under ASU 2014-09, revenue recognition will be accelerated for these contracts as the impact of the discount or free service period will be recognized uniformly over the total contractual period.

VODAFONEZIGGO GROUP B.V.
Notes to Consolidated Financial Statements — (Continued)
December 31, 2016, 2015 and 2014

- 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 ASU 2014-09, 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.
- ASU 2014-09 will require the identification of deliverables in contracts with customers that qualify as performance obligations. The transaction price receivable from customers will be allocated between our performance obligations under contracts on a relative stand-alone selling price basis. Currently, we offer handsets under a subsidized contract model, whereby upfront revenue recognition is limited to the upfront cash collected from the customer as the remaining monthly fees to be received from the customer, including fees that may be associated with the handset, are contingent upon delivering future airtime. This limitation will no longer be applied under ASU 2014-09. The primary impact on revenue reporting will be that when we sell subsidized handsets together with airtime services to customers, revenue allocated to handsets and recognized when control of the device passes to the customer will increase and revenue recognized as services are delivered will reduce.
- ASU 2014-09 will require costs incurred to fulfill a customer contract involving the sale of an asset to be recognized only when those costs (i) relate directly to a contract or to an anticipated contract that can be specifically identified, (ii) generate or enhance resources that will be used in satisfying performance obligations in the future and (iii) are expected to be recovered. Currently we recognize costs related to mobile handset sales as incurred and we do not expect the adoption of ASU 2014-09 to have a material impact on our recognition of these costs.

ASU 2014-09 will also impact our accounting for certain upfront costs directly associated with obtaining and fulfilling customer contracts. Under our current policy, these costs are expensed as incurred unless the costs are in the scope of another accounting topic that allows for capitalization. Under ASU 2014-09, the upfront costs that are currently expensed as incurred will be recognized as assets and amortized to other operating expenses 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 these costs will be dependent on numerous factors, including the number of new subscriber contracts added in any given period, but we expect the adoption of this accounting change will initially result in the deferral of a significant amount of operating and selling costs.

The ultimate impact of adopting ASU 2014-09 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 ASU 2014-09.

ASU 2016-02

In February 2016, the FASB issued ASU No. 2016-02, *Leases (ASU 2016-02)*, which, for most leases, will result in lessees recognizing lease assets and lease liabilities on the balance sheet with additional disclosures about leasing arrangements. ASU 2016-02 requires lessees and lessors to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The modified retrospective approach also includes a number of optional practical expedients an entity may elect to apply. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2019, with early adoption permitted. Although we are currently evaluating the effect that ASU 2016-02 will have on our consolidated financial statements, we expect the adoption of this standard will increase the number of leases to be accounted for as capital leases in our consolidated balance sheet.

ASU 2017-04

In January 2017, the FASB issued ASU No. 2017-04, *Simplifying the Test for Goodwill Impairment (ASU 2017-04)*, which eliminates the requirement to estimate the implied fair value of a reporting unit's goodwill as determined following the procedure that would be required in determining the fair value of assets acquired and liabilities assumed in a business combination. Instead, a company should recognize any goodwill impairment by comparing the fair value of a reporting unit to its carrying amount. ASU 2017-04 is effective for annual reporting periods beginning after December 15, 2021, with early adoption permitted. We expect the adoption of ASU 2017-04 to reduce the complexity surrounding the evaluation of our goodwill for impairment.

VODAFONEZIGGO GROUP B.V.
Notes to Consolidated Financial Statements — (Continued)
December 31, 2016, 2015 and 2014

(3) Summary of Significant Accounting Policies

Estimates

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

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation, including the reclassification of deferred financing costs from other long-term assets to long-term debt and capital lease obligations. For additional information regarding the change in the classification of deferred financing costs, see “*Accounting Changes*” in note 2.

Principles of Consolidation

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

Cash and Restricted Cash

We have no cash equivalents, such as money market funds, as of December 31, 2016 or 2015. Our restricted cash relates to the Escrowed Proceeds, as defined and described in note 11.

Our significant non-cash investing and financing activities are disclosed in our consolidated statements of equity and in notes 5, 7, 10, 11 and 13.

Cash Flow Statement

For purposes of determining the classification of cash flows in our consolidated statements of cash flows, payments or receipts on related-party loans are first applied to principal (included as cash flows from financing activities) and then to capitalized interest (included as cash flows from operating activities). Interest-bearing cash advances to related parties and repayments thereof are classified as investing activities. All other related-party borrowings, advances and repayments are reflected as financing activities.

For purposes of our consolidated statements of cash flows, expenses financed by an intermediary are treated as hypothetical operating cash outflows and hypothetical financing cash inflows when the expenses are incurred. When we pay the financing intermediary, we record financing cash outflows in our consolidated statements of cash flows.

From time to time, we issue debt for which the proceeds are included in escrow or, prior to the closing of the JV Transaction, were directly distributed to other subsidiaries of Liberty Global. We reflect these transactions as non-cash financings in our consolidated financial statements.

Trade Receivables

Our trade receivables are reported net of an allowance for doubtful accounts. Such allowance aggregated €78.6 million and €9.7 million at December 31, 2016 and 2015, respectively. The allowance for doubtful accounts is based upon our assessment of probable loss related to uncollectible accounts receivable. We use a number of factors in determining the allowance, including, among other things, collection trends, prevailing and anticipated economic conditions and specific customer credit risk. The allowance is maintained until either payment is received or the likelihood of collection is considered to be remote.

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Concentration of credit risk with respect to trade receivables is limited due to the large number of customers. We also manage this risk by disconnecting services to customers whose accounts are delinquent.

Investments

During 2014, and prior to the Ziggo Acquisition, we used the fair value method to account for our then investment in Ziggo Holding shares, which represented our only fair value method investment during the period covered by these consolidated financial statements.

Under the fair value method, our investment in Ziggo Holding was recorded at fair value and any changes in fair value were reported in unrealized gains due to changes in fair value of investment in our consolidated statements of operations. For additional information regarding our investment in Ziggo Holding shares prior to the Ziggo Acquisition, see notes 7 and 9.

Under the equity method, investments, originally recorded at cost, are adjusted to recognize our share of net earnings or losses of the affiliates as they occur rather than as dividends or other distributions are received, with our recognition of losses generally limited to the extent of our investment in, and advances and commitments to, the investee. As part of the Ziggo Acquisition, we acquired a joint venture interest that we accounted for using the equity method. Our share of the losses of this joint venture was €18.1 million, €14.9 million and €0.6 million during 2016, 2015 and 2014, respectively. During the third quarter of 2016, we signed an agreement to liquidate our investment in this joint venture, which was substantially completed during the fourth quarter of 2016, as further described in note 8. The carrying value of this investment at December 31, 2015 was a €12.2 million liability.

Financial Instruments

Due to the short maturities of cash, restricted cash, trade and other receivables, other current assets, accounts payable, accrued liabilities and other accrued and current liabilities, their respective carrying values approximate their respective fair values. For information concerning the fair values of certain of our investments, derivatives and debt, see notes 7, 8 and 11, respectively. For information regarding how we arrive at certain of our fair value measurements, see note 9.

Inventory Held for Sale

Inventory held for sale consists mainly of handsets and accessories, and are stated at the lower of cost or net realizable value. Inventory held for sale is net of a provision for obsolete items, which was not material at December 31, 2016 and 2015.

Derivative Instruments

All derivative instruments are recorded on the balance sheet at fair value. As we generally do not apply hedge accounting to any of our derivative instruments, the changes in the fair value of our derivative instrument are recognized in earnings.

The net cash received or paid related to our derivative instruments is classified as an operating, investing or financing activity in our 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 in our consolidated statements of cash flows.

For information regarding our derivative instruments, see note 8.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. We capitalize costs associated with the construction of new cable and mobile transmission and distribution facilities and the installation of new cable services. Capitalized construction and installation costs include materials, labor and other directly attributable costs. Installation activities that are capitalized include (i) the initial connection (or drop) from our cable system to a customer location, (ii) the replacement of a drop and (iii) the installation of equipment for additional services, such as digital cable, telephone or broadband internet service. The costs of other customer-facing activities, such as reconnecting customer locations where a drop already exists, disconnecting customer locations and repairing or maintaining drops, are expensed as incurred. Interest capitalized with respect to construction activities was not material during any of the periods presented.

VODAFONEZIGGO GROUP B.V.
Notes to Consolidated Financial Statements — (Continued)
December 31, 2016, 2015 and 2014

Capitalized internal-use software is included as a component of property and equipment. We capitalize internal and external costs directly associated with the development of internal-use software. We also capitalize costs associated with the purchase of software licenses. Maintenance and training costs, as well as costs incurred during the preliminary stage of an internal-use software development project, are expensed as incurred.

Depreciation is computed using the straight-line method over the estimated useful life of the underlying asset. Equipment under capital leases is amortized on a straight-line basis over the shorter of the lease term or estimated useful life of the asset. Useful lives used to depreciate our property and equipment are assessed periodically and are adjusted when warranted. The useful lives of cable and mobile distribution systems that are undergoing a rebuild are adjusted such that property and equipment to be retired will be fully depreciated by the time the rebuild is completed. For additional information regarding the useful lives of our property and equipment, see note 10.

Additions, replacements and improvements that extend the asset life are capitalized. Repairs and maintenance are charged to operations.

We recognize a liability for asset retirement obligations in the period in which it is incurred if sufficient information is available to make a reasonable estimate of fair values. Asset retirement obligations may arise from the loss of rights of way that we obtain from local municipalities or other relevant authorities. Under certain circumstances, the authorities could require us to remove our network equipment from an area if, for example, we were to discontinue using the equipment for an extended period of time or the authorities were to decide not to renew our access rights. However, because the rights of way are integral to our ability to deliver broadband communications services to our customers, we expect to conduct our business in a manner that will allow us to maintain these rights for the foreseeable future. In addition, we have no reason to believe that the authorities will not renew our rights of way and, historically, renewals have been granted. We also have obligations in lease agreements to restore the property to its original condition or remove our property at the end of the lease term. Sufficient information is not available to estimate the fair value of our asset retirement obligations in certain of our lease arrangements. This is the case for long-term lease arrangements in which the underlying leased property is integral to our operations, there is not an acceptable alternative to the leased property and we have the ability to indefinitely renew the lease. Accordingly, for most of our rights of way and certain lease agreements, the possibility is remote that we will incur significant removal costs in the foreseeable future and, as such, we do not have sufficient information to make a reasonable estimate of fair value for these asset retirement obligations.

As of December 31, 2016 and 2015, the recorded value of our asset retirement obligations was €27.7 million and €4.8 million, respectively.

Intangible Assets

Our primary intangible assets relate to goodwill, customer relationships and, following the closing of the JV Transaction, mobile spectrum licenses. Our goodwill represents (i) at December 31, 2016, the equity of the VodafoneZiggo JV contributed businesses in excess of the fair value of our net identifiable assets and liabilities, and (ii) at December 31, 2015, the excess purchase price over the fair value of the identifiable net assets acquired in a business combination. Customer relationships are initially originally recorded at their fair values in connection with business combinations. Upon closing the JV Transaction, our licenses are recorded at their fair value and subsequent to the closing of the JV Transaction, we will record licenses at costs less accumulated amortization and impairments, if any.

Goodwill and other intangible assets with indefinite useful lives are not amortized, but instead are tested for impairment at least annually. Intangible assets with finite lives are amortized on a straight-line basis over their respective estimated useful lives to their estimated residual values and reviewed for impairment.

For additional information regarding the useful lives of our intangible assets, see note 10.

Impairment of Property and Equipment and Intangible Assets

When circumstances warrant, we review the carrying amounts of our property and equipment and our intangible assets (other than goodwill and the indefinite-lived intangible asset we had prior to the closing of the JV Transaction) to determine whether such carrying amounts continue to be recoverable. Such changes in circumstance may include (i) an expectation of a sale or disposal of a long-lived asset or asset group, (ii) adverse changes in market or competitive conditions, (iii) an adverse change in legal factors or business climate in the market in which we operate and (iv) operating or cash flow losses. For purposes of impairment testing,

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long-lived assets are grouped at the lowest level for which cash flows are largely independent of other assets and liabilities. If the carrying amount of the asset or asset group is greater than the expected undiscounted cash flows to be generated by such asset or asset group, an impairment adjustment is recognized. Such adjustment is measured by the amount that the carrying value of such asset or asset group exceeds its fair value. We generally measure fair value by considering (a) sale prices for similar assets, (b) discounted estimated future cash flows using an appropriate discount rate and/or (c) estimated replacement cost. Assets to be disposed of are recorded at the lower of their carrying amount or fair value less costs to sell.

We evaluate goodwill and our indefinite-lived intangible asset for impairment at least annually on October 1 and whenever facts and circumstances indicate that their carrying amounts may not be recoverable. For purposes of the annual goodwill impairment evaluation, our operations consist of one reporting unit. A reporting unit is an operating segment or one level below an operating segment (referred to as a "component"). Our operating segment is deemed to be a reporting unit as it comprises a single component. For impairment evaluations with respect to both goodwill and the indefinite-lived intangible asset, we first make a qualitative assessment to determine if the goodwill or indefinite-lived intangible asset may be impaired. In the case of goodwill, if it is more-likely-than-not that the reporting unit's fair value is less than its carrying value, we then compare the fair value of the reporting unit to its respective carrying amount. If the carrying value of the reporting unit were to exceed its fair value, we would then compare the implied fair value of the reporting unit's goodwill to its carrying amount, and any excess of the carrying amount over the fair value would be charged to operations as an impairment loss. With respect to the indefinite-lived intangible asset, if it is more-likely-than-not that the fair value of an indefinite-lived intangible asset is less than its carrying value, we then estimate its fair value and any excess of the carrying value over the fair value is also charged to operations as an impairment loss. As further described in note 10, upon closing of the JV Transaction and the resulting new basis of accounting, the indefinite-lived intangible asset is now an intangible asset subject to amortization.

Income Taxes

Income taxes are accounted for under the asset and liability method. We recognize deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts and income tax basis of assets and liabilities, and the expected benefits of utilizing net operating loss and tax credit carryforwards using enacted tax rates in effect for each taxing jurisdiction in which we operate for the year in which those temporary differences are expected to be recovered or settled. We recognize the financial statement effects of a tax position when it is more-likely-than-not, based on technical merits, that the position will be sustained upon examination. Net deferred tax assets are then reduced by a valuation allowance if we believe it is more-likely-than-not such net deferred tax assets will not be realized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the enactment date. Interest and penalties related to income tax liabilities are included in income tax expense.

Our consolidated financial statements include the income taxes on a separate return basis (i) of VodafoneZiggo effective December 31, 2016 upon closing of the JV Transaction, (ii) prior to the closing of the JV Transaction (a) of Old Ziggo, along with UPC Nederland Holding and its Dutch subsidiaries, and (b) of HoldCo VI and its Dutch subsidiaries (the **HoldCo VI Dutch Fiscal Unity**), and (iii) during 2014, of (1) UPC Equipment, (2) UPC International and (3) UMI based on the local tax law.

Prior to the closing of the JV Transaction on December 31, 2016, Old Ziggo, along with UPC Nederland Holding and its Dutch subsidiaries, were part of a Dutch fiscal unity (the **Liberty Global Holding Dutch Fiscal Unity**) that comprised Liberty Global Holding B.V. (**Liberty Global Holding**) and all of its Dutch subsidiaries, including Old Ziggo and certain of its subsidiaries, as well as other Liberty Global subsidiaries that are outside of Old Ziggo. The Liberty Global Holding Dutch Fiscal Unity combined individual tax-paying Dutch entities and their ultimate Dutch parent company as one taxpayer for Dutch tax purposes. Related-party tax allocations to our company from other Liberty Global Holding subsidiaries within the Liberty Global Holding Dutch Fiscal Unity were not subject to tax-sharing agreements, and no cash payments were made between the companies related to the Dutch tax attributes. Accordingly, related-party tax allocations have been reflected as an adjustment in our consolidated statements of owner's equity. Upon closing of the JV Transaction, VodafoneZiggo Group Holding together with VodafoneZiggo and its subsidiaries, formed a new fiscal unity (the **VodafoneZiggo Fiscal Unity**). The VodafoneZiggo Fiscal Unity is one taxpayer for the period of time subsequent to the closing of the JV Transaction. Related-party tax allocations to our company from VodafoneZiggo Group Holding are not subject to tax-sharing agreements, and no cash payments will be made between VodafoneZiggo and VodafoneZiggo Group Holding related to the Dutch tax attributes. Accordingly, related-party tax allocations will be reflected as adjustments in our consolidated statements of owner's equity.

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Multiemployer Benefit Plans

We are a party to multiemployer benefit plans, and we recognize the required contribution paid or payable for these plans during the period as net postretirement benefit costs.

Foreign Currency Transactions

Transactions denominated in currencies other than our functional currency are recorded based on exchange rates at the time such transactions arise. Changes in exchange rates with respect to amounts recorded in our consolidated balance sheets related to these non-functional currency transactions result in transaction gains and losses that are reflected in our consolidated statements of operations as unrealized (based on the applicable period end exchange rates) or realized upon settlement of the transactions.

Revenue Recognition

Service Revenue – Cable Networks. We recognize revenue from the provision of video, broadband internet and fixed-line telephony services over our cable network to customers in the period the related services are provided. Installation revenue (including reconnect fees) related to services provided over our cable network is 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, which costs are expensed as incurred. To the extent installation revenue exceeds direct selling costs, the excess revenue is deferred and amortized over the average expected subscriber life.

Sale of Multiple Products and Services. We sell video, broadband internet, fixed-line telephony and mobile services to our customers in bundled packages at a rate lower than if the customer purchased each product on a standalone basis. Revenue from bundled packages generally is allocated proportionally to the individual services based on the relative standalone price for each respective service.

Mobile Revenue – General. Consideration from mobile contracts is allocated to the airtime service element and the handset service element based on the relative standalone prices of each element. The amount of consideration allocated to the handset is limited to the amount that is not contingent upon the delivery of future airtime services. We offer handsets under a subsidized contract model, whereby upfront revenue recognition is limited to the upfront cash collected from the customer as the remaining monthly fees to be received from the customer, including fees that may be associated with the handset, are contingent upon delivering future airtime services.

Mobile Revenue – Airtime Services, Access Charges and Messaging. We recognize revenue from mobile services in the period the related services are provided. Revenue from sale of prepaid credit is deferred until such time as customer uses the airtime or the credit expires.

Mobile Revenue – Handset Revenue. Arrangement consideration allocated to handsets is recognized as revenue when the goods have been delivered and title has passed. Revenue from interconnect fees is recognized at the time the services are performed. Revenue from data services and information provision is recognized when the Company has performed the related service and, depending on the nature of the service, is recognized either at the gross amount billed to the customer or the amount receivable by the Company as commission for facilitating the service.

Business-to-Business (B2B) Revenue. We defer upfront installation and certain nonrecurring fees received on B2B contracts where we maintain ownership of the installed equipment. The deferred fees are amortized into revenue on a straight-line basis over the term of the arrangement or the expected period of performance.

Promotional Discounts. For subscriber promotions, such as discounted or free services during an introductory period, revenue is recognized only to the extent of the discounted monthly fees charged to the subscriber, if any.

Subscriber Advance Payments and Deposits. Payments received in advance for the services we provide are deferred and recognized as revenue when the associated services are provided.

Sales, Use and Other VAT. Revenue is recorded net of applicable sales, use and other VAT.

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Direct Costs. We may provide intermediaries cash incentives to connect new customers and retain existing customers. For intermediaries who do not purchase our products and services, such cash incentives are accounted for as an expense. Such cash incentives to other intermediaries are also accounted for as an expense if (i) we receive an identifiable benefit in exchange for the cash incentive that is separable from sales transactions to that intermediary and (ii) we can reliably estimate the fair value of that benefit. Cash incentives that do not meet these criteria are recognized as a reduction of the related revenue.

Litigation Costs

Legal fees and related litigation costs are expensed as incurred.

(4) JV Transaction

Overview

On February 15, 2016, Liberty Global Europe Holding B.V. (**Liberty Global Europe**), a corporation organized under the laws of the Netherlands and a wholly-owned subsidiary of Liberty Global, and Vodafone International Holdings B.V., a corporation organized under the laws of the Netherlands and a wholly-owned subsidiary of Vodafone, agreed to form the VodafoneZiggo JV pursuant to a Contribution and Transfer Agreement (the **Contribution Agreement**). On December 31, 2016, the formation of the VodafoneZiggo JV was completed (the **JV Transaction**) pursuant to which (i) VodafoneZiggo Group Holding became 50% owned by each of Liberty Global and Vodafone, (ii) VodafoneZiggo and its subsidiaries were contributed into the VodafoneZiggo JV and became wholly-owned by VodafoneZiggo Group Holding and (iii) Vodafone NL and its subsidiaries were contributed into the VodafoneZiggo JV and became wholly-owned by VodafoneZiggo.

In connection with the closing of the JV Transaction, the VodafoneZiggo JV recorded the assets and liabilities of VodafoneZiggo and Vodafone NL (the “**VodafoneZiggo JV contributed businesses**”) at fair value. Such fair values have been reflected in our consolidated financial statements following the “push down method of accounting” from the VodafoneZiggo JV. Accordingly, we have a new basis of accounting effective December 31, 2016 that reflects (i) fair value of the Predecessor assets and liabilities and (ii) the fair value of the assets and liabilities of Vodafone NL. For information regarding how we arrive at certain of our fair value measurements used in the nonrecurring valuations of our assets and liabilities resulting from closing of the JV Transaction, see note 9.

In these consolidated financial statements (i) the financial position as of December 31, 2015 and the results of operations and cash flows for the years ended December 31, 2016, 2015 and 2014 prior to the close of the JV Transaction are labeled “**Predecessor**” and reflect the historical accounting basis in the assets and liabilities of Old Ziggo, and (ii) the financial position as of December 31, 2016 following the close of the JV Transaction is labeled “**Successor**” and reflects the push down of the VodafoneZiggo JV’s basis of accounting in the new fair values of the assets and liabilities of the VodafoneZiggo JV contributed businesses. Our consolidated financial statements and footnotes include a black line division, which appears between the columns titled Predecessor and Successor, which signifies that the amounts shown for the periods prior to and following the JV Transaction are not comparable.

Our December 31, 2016 successor consolidated balance sheet reflects our preliminary opening balance sheet as a result of our new basis of accounting, as further described in note 1. Our opening balance sheet is subject to adjustment based on our final assessment of the fair values of the identifiable assets and liabilities of the VodafoneZiggo JV contributed businesses. Although most items in the valuation process remain open, the items with the highest likelihood of changing upon finalization of the valuation process include property and equipment, customer relationships, licenses, trade names, income taxes and goodwill. For information regarding how we arrive at certain of our fair value measurements, see note 9.

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The following table sets forth selected financial information related the assets, liabilities and equity of the VodafoneZiggo JV contributed businesses as of December 31, 2016 (in millions).

Enterprise value (a).....	€	18,750.0
Fair value: (b)		
Net debt:		
Third-party debt		(10,663.8)
Related-party debt.....		(2,000.0)
Related-party distribution payable.....		(2,844.0)
Cash and restricted cash.....		3,039.3
Other assets and liabilities (d)		(342.4)
Successor equity balance at December 31, 2016 after closing of the JV Transaction (c)	€	<u>5,939.1</u>

- (a) Represents the estimated enterprise value as of December 31, 2016 of the VodafoneZiggo JV contributed businesses, as further described above. For additional information regarding certain fair value inputs used in the enterprise valuation, see note 9.
- (b) The amounts represent estimated fair values as of December 31, 2016 and are subject to adjustment based on our final assessment of the fair values.
- (c) Represent our December 31, 2016 owner's equity balance after closing of the JV Transaction and giving effect to our new basis of accounting as further described above.
- (d) Represents the fair value of other assets and liabilities at December 31, 2016, primarily derivative assets and liabilities and accrued interest.

Our goodwill represents the equity of the VodafoneZiggo JV contributed businesses in excess of the fair value of our net identifiable assets and liabilities. The goodwill recognized in connection with the formation of the VodafoneZiggo JV is primarily attributable to (i) the formation of a leading national enterprise business through the combination of Vodafone NL's extensive B2B expertise, product portfolio and distribution footprint with Old Ziggo's growing B2B operation and it's high-capacity nationwide cable network, and (ii) synergies that are expected to be achieved through the integration of Vodafone NL and Old Ziggo.

During the year ended December 31, 2016, we incurred €21.7 million of third-party costs related to the formation of the VodafoneZiggo JV, which is included in impairment, restructuring and other operating items, net in our consolidated statement of operations.

Shareholders Agreement

In connection with the JV Transaction, on December 31, 2016, Liberty Global and Vodafone entered into a shareholders agreement (the **Shareholders Agreement**) with VodafoneZiggo Group Holding in respect of the VodafoneZiggo JV. Each of Liberty Global and Vodafone (each a "**Shareholder**") holds 50% of the issued share capital of VodafoneZiggo Group Holding. The Shareholders Agreement contains customary provisions for the governance of a 50:50 joint venture that result in Liberty Global and Vodafone having joint control over decision making with respect to the VodafoneZiggo JV.

The Shareholders Agreement also provides (i) for a dividend policy that requires the VodafoneZiggo JV to distribute all unrestricted cash to the Shareholders as soon as reasonably practicable following each two month period (subject to the VodafoneZiggo JV maintaining a minimum amount of cash and complying with the terms of financing arrangements of its subsidiaries) and (ii) that the VodafoneZiggo JV will be managed with a leverage ratio of between 4.5 and 5.0 times Covenant EBITDA (as calculated pursuant to existing financing arrangements of its subsidiaries) with the VodafoneZiggo JV undertaking periodic recapitalizations and/or refinancings accordingly.

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Each Shareholder has the right to initiate an initial public offering (**IPO**) of the VodafoneZiggo JV after the third anniversary of the closing, with the opportunity for the other Shareholder to sell shares in the IPO on a pro rata basis. Subject to certain exceptions, the Shareholders Agreement prohibits transfers of interests in the VodafoneZiggo JV to third parties until the fourth anniversary of the closing. After the fourth anniversary, each Shareholder will be able to initiate a sale of all of its interest in the VodafoneZiggo JV to a third party and, under certain circumstances, initiate a sale of the entire VodafoneZiggo JV; subject, in each case, to a right of first offer in favor of the other Shareholder.

Framework and Trade Mark Agreements

Pursuant to a framework and a trade name agreement (collectively, the **JV Service Agreements**) entered into in connection with the formation of the VodafoneZiggo JV, Liberty Global and Vodafone will charge us fees for certain services to be provided to us by the respective subsidiaries of the Shareholders (collectively, the **JV Services**). The JV Services will be provided to us on a transitional or ongoing basis. Pursuant to the terms of the JV Service Agreements, the ongoing services will be provided for a period of four to six years depending on the type of service, while transitional services will be provided for a period of not less than 12 months after which the Shareholders or VodafoneZiggo will be entitled to terminate based on specified notice periods. The JV Services provided by the respective subsidiaries of the Shareholders will consist primarily of (i) technology and other services, (ii) capital-related expenditures for assets that we will use or will otherwise benefit us, and (iii) brand name and procurement fees. The fees that Liberty Global and Vodafone will charge us for the JV Services will include both fixed and usage-based fees. The following table sets forth fixed minimum charges from Liberty Global and Vodafone pursuant to the JV Service Agreements.

	Year ended December 31,					
	2017	2018	2019	2020	2021	Thereafter
	(in millions)					
Charges from Liberty Global:						
Operating (a).....	€ 82.9	€ 74.6	€ 58.4	€ 50.5	€ 49.1	€ 49.1
Capital (b)	32.3	25.3	16.4	14.4	14.4	14.4
Total Liberty Global corporate recharges.....	<u>€ 115.2</u>	<u>€ 99.9</u>	<u>€ 74.8</u>	<u>€ 64.9</u>	<u>€ 63.5</u>	<u>€ 63.5</u>
Charges from Vodafone:						
Operating, net (a)	€ 71.5	€ 35.3	€ 35.3	€ 35.3	€ 10.7	€ 10.7
Brand fees (c).....	30.0	30.0	30.0	30.0	30.0	120.0
Total Vodafone corporate recharges.....	<u>€ 101.5</u>	<u>€ 65.3</u>	<u>€ 65.3</u>	<u>€ 65.3</u>	<u>€ 40.7</u>	<u>€ 130.7</u>
Total (d)	<u>€ 216.7</u>	<u>€ 165.2</u>	<u>€ 140.1</u>	<u>€ 130.2</u>	<u>€ 104.2</u>	<u>€ 194.2</u>

- (a) Represents amounts to be charged for technology and other services. These charges will be included in the calculation of Covenant EBITDA, as defined and described in note 13.
- (b) Represents amounts to be charged for capital expenditures to be made by Liberty Global related to assets that we will use or will otherwise benefit us. These charges will not be included in the calculation of Covenant EBITDA.
- (c) Represents amounts to be charged for our use of the Vodafone brand name. This charge will not be included in the calculation of Covenant EBITDA.
- (d) In addition to the fixed minimum charges, the JV Service Agreements provide for certain JV Services to be charged to us based upon usage of the services received. The fixed minimum charges set forth in the table above exclude fees for the usage-based services as these fees will vary from period to period. Accordingly, we expect to incur charges in addition to those set forth in the table above for usage-based services.

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Pro Forma Information

The following unaudited pro forma consolidated operating results give effect to the formation of the VodafoneZiggo JV as if it had been completed as of January 1, 2015. These pro forma amounts are not necessarily indicative of the operating results that would have occurred if this transaction had occurred on such date. The pro forma adjustments are based on certain assumptions that we believe are reasonable.

	Year ended December 31,	
	2016	2015
	in millions	
Revenue	€ 4,168.2	€ 4,325.1
Net losses attributable to parent.....	€ (473.0)	€ (579.9)

Our consolidated statement of operations for 2016 does not include revenue and or net loss attributable to Vodafone NL as it did not become a wholly-owned subsidiary until December 31, 2016.

(5) Acquisition

On the Ziggo Acquisition Date, pursuant to a merger protocol (the **Merger Protocol**) with respect to an offer to acquire all of the shares of Ziggo Holding that we did not already own, we gained control of Ziggo Holding through the acquisition of 136,603,794 additional Ziggo Holding shares, which increased our ownership interest in Ziggo Holding to 88.9%. From November 12, 2014 through November 19, 2014, we acquired 18,998,057 additional Ziggo Holding shares, further increasing our ownership interest in Ziggo Holding to 98.4% (the **Ziggo NCI Acquisition**). We acquired Ziggo Holding in order to achieve certain financial, operational and strategic benefits through the integration of Ziggo Holding with Ziggo Services.

Pursuant to the Merger Protocol, (i) Liberty Global issued shares with an aggregate market value of €4,489.4 million and (ii) we paid aggregate cash consideration of €1,711.6 million to Ziggo Holding shareholders in connection with the Ziggo Acquisition and the Ziggo NCI Acquisition. As further detailed below, Liberty Global's issuance of shares in connection with the Ziggo Acquisition gave rise to our initial obligation under the Liberty Global Broadband Note (as defined and described in note 13).

On December 3, 2014, we initiated a statutory squeeze-out procedure in accordance with the Dutch Civil Code (the **Statutory Squeeze-out**) in order to acquire the remaining 3,162,605 Ziggo Holding shares not tendered through November 19, 2014. Under the Statutory Squeeze-out, which was completed during the second quarter of 2015, Ziggo Holding shareholders other than Liberty Global and its affiliates received cash consideration of €39.78 per share, plus interest, for an aggregate of €125.9 million. This amount was approved in April 2015 by the Enterprise Court in the Netherlands. Effective upon the commencement of the Statutory Squeeze-out, the remaining noncontrolling interest in Ziggo Holding became mandatorily redeemable and, accordingly, was accounted for as a liability. The difference between the carrying value of the noncontrolling interest immediately prior to the date that the noncontrolling interest became mandatorily redeemable and the then expected redemption value was reflected as a €2.1 million decrease to parent's equity in our 2014 consolidated statement of owners' equity.

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For accounting purposes, (i) the Ziggo Acquisition was accounted for using acquisition accounting and (ii) the Ziggo NCI Acquisition and the Statutory Squeeze-out were treated as acquisitions of a noncontrolling interest.

In connection with the completion of the Ziggo Acquisition, we obtained regulatory clearance from the European Commission on October 10, 2014, subject to the following commitments:

- Our commitment to divest our *Film 1* channels to a third party and for our company to carry *Film 1* on our network for a period of three years. Accordingly, on July 21, 2015, we sold our *Film 1* channels to Sony Pictures Television Networks (the ***Film 1* Disposal**). Under the terms of the agreement, all five *Film 1* channels will continue to be carried on our network for a period of at least three years. As the terms of this carriage agreement reflect above-market rates, we recorded a €30.9 million liability as part of the accounting for the *Film 1* Disposal, which will be amortized to programming expense. In addition, during the fourth quarter of 2015, we received cash of €30.9 million from a subsidiary of Liberty Global as reimbursement for this obligation; and
- an eight-year commitment with respect to our network (i) not to enforce certain clauses currently contained in carriage agreements with broadcasters that restrict the ability of broadcasters to offer their channels and content via over-the-top services, (ii) not to enter into carriage agreements containing such clauses and (iii) to maintain adequate interconnection capacity through at least three uncongested routes into our network, at least one of which must be with a large transit provider.

In July 2015, the Dutch incumbent telecommunications operator filed an appeal against the European Commission regarding its decision to approve the Ziggo Acquisition. We are not a party to the appeal, and we do not expect that the filing of this appeal will have any impact on the ongoing integration and development of our operations.

The consideration we paid in connection with the Ziggo Acquisition and the fair value of our pre-existing investment in Ziggo Holding on the Ziggo Acquisition Date is set forth below (in millions):

Liberty Global Broadband Note (a).....	€	3,936.1
Cash (b)		1,502.7
Fair value of pre-existing investment in Ziggo Holding (c).....		1,617.1
Total.....	€	<u>7,055.9</u>

-
- (a) Represents a non-cash borrowing under the Liberty Global Broadband Note (as defined and described in note 13), the amount of which is equal to the aggregate market value of the shares issued to Ziggo Holding shareholders by Liberty Global in connection with the Ziggo Acquisition.
- (b) Represents the cash consideration paid in connection with the Ziggo Acquisition.
- (c) Represents the fair value of the 41,329,850 shares of Ziggo Holding held by HoldCo V immediately prior to the Ziggo Acquisition.

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We have accounted for the Ziggo Acquisition using the acquisition method of accounting, whereby the total purchase price was allocated to the acquired identifiable net assets of Ziggo Holding based on assessments of their respective fair values, and the excess of the purchase price over the fair values of these identifiable net assets was allocated to goodwill. A summary of the purchase price and opening balance sheet for the Ziggo Acquisition as of the Ziggo Acquisition Date is presented in the following table. The opening balance sheet presented below reflects our final purchase price allocation (in millions):

Cash (a).....	€	1,516.2
Other current assets, net		55.9
Property and equipment, net.....		2,178.3
Goodwill (b)		6,311.6
Intangible assets subject to amortization, net (c).....		3,897.0
Other assets, net.....		307.1
Current portion of debt and capital lease obligations.....		(484.6)
Accrued and other current liabilities		(370.5)
Long-term debt and capital lease obligations.....		(4,293.8)
Other long-term liabilities		(1,194.3)
Noncontrolling interest (d)		(867.0)
Total purchase consideration (e).....	€	<u>7,055.9</u>

- (a) The Ziggo Acquisition resulted in €13.5 million of net cash acquired after deducting the cash consideration paid.
- (b) The goodwill recognized in connection with the Ziggo Acquisition is primarily attributable to (i) the ability to take advantage of Ziggo Holding's existing advanced broadband communications network to gain immediate access to potential customers and (ii) substantial synergies that were expected to be achieved through the then integration of Ziggo Holding with Ziggo Services and other European operations of Liberty Global.
- (c) Amount primarily includes intangible assets related to customer relationships. As of the Ziggo Acquisition Date, the weighted average useful life of Ziggo Holding's intangible assets was approximately ten years.
- (d) Represents the fair value of the noncontrolling interest in Ziggo Holding as of the Ziggo Acquisition Date.
- (e) Excludes direct acquisition costs of €64.2 million incurred through December 31, 2014, which are included in impairment, restructuring and other operating items, net, in our consolidated statement of operations.

We have accounted for the Ziggo NCI Acquisition as an equity transaction, with the carrying amount of the noncontrolling interest adjusted to reflect the change in ownership of Ziggo Holding. The difference between the fair value of consideration paid and the amount by which the noncontrolling interest was adjusted has been recognized as parent's equity in our 2014 consolidated statement of owners' equity. The impact of the Ziggo NCI Acquisition is summarized in the following table (in millions):

Reduction of noncontrolling interests.....	€	743.3
Parent's equity.....		18.9
Fair value of consideration paid (a).....	€	<u>762.2</u>

- (a) Represents the aggregate fair value of the consideration paid in the form of (i) a €553.3 million increase to the Liberty Global Broadband Note (as defined and described in note 13), which represents the value assigned to the Liberty Global shares issued to Ziggo Holding shareholders by Liberty Global, and (ii) cash consideration of €208.9 million paid to Ziggo Holding shareholders based on 18,998,057 shares of Ziggo Holding tendered in connection with the Ziggo NCI Acquisition.

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Pro Forma Information

The following unaudited pro forma consolidated operating results give effect to the acquisition of 100% of Ziggo Holding as if it had been completed as of January 1, 2014. These pro forma amounts are not necessarily indicative of the operating results that would have occurred if this transaction had occurred on such date. The pro forma adjustments are based on certain assumptions that we believe are reasonable.

	Year ended December 31, 2014 (a)
	in millions
Revenue	€ 2,552.8
Net loss attributable to parent.....	€ (352.7)

(a) As retrospectively revised – see note 1.

Our consolidated statement of operations for 2014 includes revenue and net loss of €219.9 million and €80.0 million, respectively, attributable to Ziggo Holding.

(6) Common Control Transfer

As further described in note 1, we have accounted for the Ziggo Sport Transfer as a transaction between entities under common control. Accordingly, we have reflected the Ziggo Sport Transfer at carryover basis and our consolidated financial statements have been retrospectively revised to give effect to this transfer for all periods during which Old Ziggo and Ziggo Sport were under the common control of Liberty Global.

The following table sets forth the retrospective effects of the Ziggo Sport Transfer on the selected December 31, 2015 consolidated balance sheet data of Old Ziggo:

	December 31, 2015		
	As previously reported (a)	Common control adjustments (b)	As retrospectively revised
	in millions		
Current assets.....	€ 130.6	€ 10.9	€ 141.5
Property and equipment, net.....	€ 2,809.8	€ 0.6	€ 2,810.4
Total assets.....	€ 14,038.9	€ 11.6	€ 14,050.5
Current liabilities.....	€ 1,037.9	€ 7.6	€ 1,045.5
Long-term debt and capital lease obligations.....	€ 10,361.4	€ 2.6	€ 10,364.0
Total liabilities.....	€ 12,633.2	€ 10.2	€ 12,643.4
Total owners' equity.....	€ 1,405.7	€ 1.4	€ 1,407.1
Total liabilities and owners' equity.....	€ 14,038.9	€ 11.6	€ 14,050.5

(a) Amounts represent the selected consolidated balance sheet data of Old Ziggo, as previously reported.

(b) Amounts represent the carrying values of selected balance sheet data of Ziggo Sport.

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The following table sets forth the retrospective effects of the Ziggo Sport Transfer on the selected consolidated statement of operations data of Old Ziggo:

	Year ended December 31, 2015			Year ended December 31, 2014		
	As previously reported (a)	Common control adjustments (b)	As retrospectively revised	As previously reported (a)	Common control adjustments (b)	As retrospectively revised
	in millions					
Revenue	€ 2,472.7	€ 14.2	€ 2,486.9	€ 1,142.9	€ 34.0	€ 1,176.9
Programming and other direct costs of services	€ 422.2	€ 23.9	€ 446.1	€ 195.3	€ 26.1	€ 221.4
Other operating	€ 338.3	€ 1.8	€ 340.1	€ 144.3	€ 2.7	€ 147.0
SG&A expenses	€ 349.7	€ 8.1	€ 357.8	€ 156.2	€ 5.4	€ 161.6
Depreciation and amortization expense	€ 1,037.5	€ 0.6	€ 1,038.1	€ 296.3	€ 1.1	€ 297.4
Non-operating expense, net	€ (552.2)	€ (10.5)	€ (562.7)	€ 70.8	€ (3.1)	€ 67.7
Income tax benefit (expense)	€ 124.0	€ 2.0	€ 126.0	€ (33.7)	€ —	€ (33.7)
Net earnings (loss)	€ (319.4)	€ (25.6)	€ (345.0)	€ 172.0	€ (8.0)	€ 164.0
Net earnings (loss) attributable to parent	€ (319.4)	€ (25.6)	€ (345.0)	€ 175.9	€ (8.0)	€ 167.9

(a) Amounts represent the selected consolidated statement of operations data of Old Ziggo, as previously reported.

(b) Amounts represent the selected results of operations data for Ziggo Sport.

(7) Investments

During 2013, Liberty Global subsidiaries outside of Old Ziggo purchased shares of Ziggo Holding, a then publicly-traded company in the Netherlands. To the extent not otherwise used by these other Liberty Global subsidiaries to settle a derivative instrument outside of Old Ziggo, these shares were subsequently transferred to HoldCo V. On the date of the HoldCo VI Transfer, HoldCo V owned 41,329,850 or 20.7% of the then outstanding Ziggo Holding shares.

The details associated with the Ziggo Holding shares that were transferred to HoldCo V by other Liberty Global subsidiaries outside of Old Ziggo are as follows:

Transfer date	Number of shares	Aggregate fair value on transfer date in millions
April 22, 2013 (a)	25,300,000	€ 683.1
July 22, 2013 (a)	2,000,000	€ 56.1
November 6, 2014 (a)	9,095,751	€ 353.7
November 6, 2014 (b)	4,934,099	€ 191.9

(a) These Ziggo Holding shares were contributed by certain Liberty Global subsidiaries to HoldCo V on the indicated dates, and were recorded at fair value on the date of contribution. The 2014 contribution has been reflected as an increase to parent's equity in our 2014 consolidated statements of owners' equity.

(b) HoldCo V acquired these shares through a non-cash increase to the Liberty Global Broadband Note, as defined and described in note 13.

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Prior to the completion of the Ziggo Acquisition, we accounted for our investment in shares of Ziggo Holding at fair value. Accordingly, changes in the fair value of Ziggo Holding shares have been reflected in unrealized gains due to changes in fair value of investment in our 2014 consolidated statement of operations. For additional information regarding the Ziggo Acquisition, see note 5.

In April 2013, HoldCo V entered into a limited recourse margin loan agreement (the **Margin Loan**) with respect to its investment in Ziggo Holding. All 27,300,000 of the Ziggo Holding shares that we owned at December 31, 2013 were pledged as collateral under the Margin Loan. During the first quarter of 2014, we repaid the full amount of the Margin Loan. For additional information regarding the Margin Loan, see note 11.

The summarized results of operations of Ziggo Holding for the period from January, 1, 2014 through the Ziggo Acquisition Date is as follows (in millions):

Revenue.....	€	1,397.4
Operating income.....	€	244.5
Net loss.....	€	(173.2)

(8) 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 euro and the United States (U.S.) dollar.

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

	Successor			Predecessor		
	December 31, 2016			December 31, 2015		
	Current	Long-term (a)	Total	Current	Long-term (a)	Total
Assets:						
Cross-currency and interest rate derivative contracts (b).....	€ 20.2	€ 272.8	€ 293.0	€ 16.1	€ 208.8	€ 224.9
Foreign currency forward contracts	0.2	0.2	0.4	—	—	—
Total	€ 20.4	€ 273.0	€ 293.4	€ 16.1	€ 208.8	€ 224.9
Liabilities:						
Cross-currency and interest rate derivative contracts (b).....	€ 189.2	€ 256.8	€ 446.0	€ 75.9	€ 226.6	€ 302.5
Equity-related derivative instrument (c)	—	—	—	18.2	—	18.2
Total.....	€ 189.2	€ 256.8	€ 446.0	€ 94.1	€ 226.6	€ 320.7

- (a) Our long-term derivative assets and liabilities are included in other assets, net, and other long-term liabilities, respectively, in our consolidated balance sheets.
- (b) We consider credit risk in our fair value assessments. As of December 31, 2016 and 2015, (i) the fair values of our cross-currency and interest rate derivative contracts that represented assets have been reduced by credit risk valuation adjustments aggregating €11.3 million and €7.0 million, respectively, and (ii) the fair values of our cross-currency and interest rate derivative contracts that represented liabilities have been reduced by credit risk valuation adjustments aggregating €38.4 million and €11.4 million, respectively. The adjustments to our derivative assets relate to the credit risk associated with counterparty nonperformance, and the adjustments to our derivative liabilities relate to credit risk associated with our own nonperformance. In all cases, the adjustments take into account offsetting liability or asset positions within a given contract. Our determination of credit risk valuation adjustments generally is based on our and our counterparties' credit risks, as

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observed in the credit default swap market and market quotations for certain of our subsidiaries' debt instruments, as applicable. The changes in the credit risk valuation adjustments associated with our cross-currency and interest rate derivative contracts resulted in net gains of €22.7 million, €1.4 million and €3.0 million during 2016, 2015 and 2014, respectively. These amounts are included in realized and unrealized gains (losses) on derivative instruments, net, in our consolidated statements of operations. For further information regarding our fair value measurements, see note 9.

- (c) Represents the fair value of a written put option related to a joint venture investment, whereby our joint venture partner had the right to put its joint venture shares to us. Effective September 2, 2016, we signed a settlement agreement to liquidate our joint venture arrangement, which was completed during the fourth quarter of 2016.

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

	Predecessor		
	Year ended December 31,		
	2016	2015	2014
	in millions		
Cross-currency and interest rate derivative contracts.....	€ (134.2)	€ 218.1	€ 26.2
Foreign currency forward contracts.....	—	(7.0)	—
Total.....	<u>€ (134.2)</u>	<u>€ 211.1</u>	<u>€ 26.2</u>

The following table sets forth the classification of the net cash inflows (outflows) of our derivative instruments:

	Predecessor		
	Year ended December 31,		
	2016	2015	2014
	in millions		
Operating activities.....	€ (58.8)	€ (38.7)	€ —
Financing activities.....	—	79.3	—
Total.....	<u>€ (58.8)</u>	<u>€ 40.6</u>	<u>€ —</u>

Counterparty Credit Risk

We are exposed to the risk that the counterparties to our derivative instruments will default on their obligations to us. We manage these credit risks through the evaluation and monitoring of the creditworthiness of and concentration of risk with the respective counterparties. In this regard, credit risk associated with our derivative instruments is spread across a relatively broad counterparty base of banks and financial institutions. Collateral is generally not posted by either party under our derivative instruments. At December 31, 2016, our exposure to counterparty credit risk included derivative assets with an aggregate fair value of €293.0 million.

We have entered into derivative instruments under master agreements with each counterparty that contain master netting arrangements that are applicable in the event of early termination by either party to such derivative instrument. The master netting arrangements under each of these master agreements are limited to the derivative instruments governed by the relevant master agreement and are independent of similar arrangements.

Under our derivative contracts, it is generally only the non-defaulting party that has a contractual option to exercise early termination rights upon the default of the other counterparty and to set off other liabilities against sums due upon such termination. However, in an insolvency of a derivative counterparty, under the laws of certain jurisdictions, the defaulting counterparty or its insolvency representatives may be able to compel the termination of one or more derivative contracts and trigger early termination payment liabilities payable by us, reflecting any mark-to-market value of the contracts for the counterparty. Alternatively, or in addition, the insolvency laws of certain jurisdictions may require the mandatory set off of amounts due under such derivative contracts against present and future liabilities owed to us under other contracts between us and the relevant counterparty. Accordingly, it is possible that we may be subject to obligations to make payments, or may have present or future liabilities owed

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to us partially or fully discharged by set off as a result of such obligations, in the event of the insolvency of a derivative counterparty, even though it is the counterparty that is in default and not us. To the extent that we are required to make such payments, our ability to do so will depend on our liquidity and capital resources at the time. In an insolvency of a defaulting counterparty, we will be an unsecured creditor in respect of any amount owed to us by the defaulting counterparty, except to the extent of the value of any collateral we have obtained from that counterparty.

In addition, where a counterparty is in financial difficulty, under the laws of certain jurisdictions, the relevant regulators may be able to (i) compel the termination of one or more derivative instruments, determine the settlement amount and/or compel, without any payment, the partial or full discharge of liabilities arising from such early termination that are payable by the relevant counterparty or (ii) transfer the derivative instruments to an alternative counterparty.

Details of our Derivative Instruments

In the following tables, we present the details of the various categories of our derivative instruments, which are held by our wholly-owned subsidiary, Amsterdamse Beheer-en Consultingmaatschappij BV (**ABC B.V.**). 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 December 31, 2016, we present a single date that represents the applicable final maturity date. For derivative instruments that become effective subsequent to December 31, 2016, we present a range of dates that represents the period covered by the applicable derivative instruments.

Cross-currency and Interest Rate Derivative Contracts

Cross-currency Swaps:

The terms of our outstanding cross-currency swap contracts at December 31, 2016, are as follows:

Final maturity date	Notional amount due from counterparty		Notional amount due to counterparty	Interest rate due from counterparty	Interest rate due to counterparty
	in millions				
January 2025.....	\$	4,325.0	€ 3,849.3	3.03%	2.23%
January 2022.....	\$	2,350.0	€ 1,819.0	6 mo. LIBOR + 2.75%	4.56%
January 2022 - August 2024.....	\$	1,000.0	€ 762.6	6 mo. LIBOR + 3.00%	3.75%
January 2023.....	\$	400.0	€ 339.0	5.88%	4.58%

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Interest Rate Swaps:

The terms of our outstanding interest rate swap contracts at December 31, 2016, which are held by ABC B.V., are as follows:

Final maturity date	Notional amount	Interest rate due from counterparty	Interest rate due to counterparty
	in millions		
January 2021 - August 2024	€ 2,589.2	6 mo. EURIBOR	0.63%
January 2022	€ 1,737.3	6 mo. EURIBOR	1.83%
January 2017	€ 689.0	1 mo. EURIBOR + 3.75%	6 mo. EURIBOR + 3.57%
January 2017	€ 689.0	3.35%	1 mo. EURIBOR + 3.75%
January 2021	€ 500.0	6 mo. EURIBOR	2.61%
January 2023	€ 290.0	6 mo. EURIBOR	2.84%
March 2021	€ 175.0	6 mo. EURIBOR	2.32%
October 2017	\$ 1,940.0	1 mo. LIBOR + 2.88%	6 mo. LIBOR + 2.44%
January 2022	\$ 300.0	4.18%	6 mo. LIBOR + 2.75%

Foreign Currency Forwards

The following table summarizes our outstanding foreign currency forward contracts at December 31, 2016, which are held by ABC B.V.:

Currency purchased forward	Currency sold forward	Maturity dates
in millions		
\$ 8.4	€ 7.5	January 2017 - January 2019

(9) Fair Value Measurements

We use the fair value method to account for our derivative instruments. The reported fair values of these derivative instruments as of December 31, 2016 likely will not represent the value that will be paid or received upon the ultimate settlement or disposition of these assets and liabilities. We expect that the values realized generally will be based on market conditions at the time of settlement, which may occur at the maturity of the derivative instrument or at the time of the repayment or refinancing of the underlying debt instrument.

U.S. GAAP provides for a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted market prices included within 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 2016, no such transfers were made.

All of our Level 2 inputs (interest rate futures and swap rates) 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 and forward interest and currency 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.

During 2014, we held a noncontrolling interest in the shares of Ziggo Holding. We recorded these shares at fair value based on a Level 1 input, with changes in the fair value reflected in unrealized gains due to changes in fair value of investment in our

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2014 consolidated statement of operations through the Ziggo Acquisition Date. As further described in note 5, we completed the Ziggo Acquisition during the fourth quarter of 2014. As a result, we began consolidating Ziggo Holding as of the Ziggo Acquisition Date and we no longer have a fair value investment in Ziggo Holding.

In order to manage our interest rate and foreign currency exchange risk, we have entered into various derivative instruments 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 mostly includes interest rate futures and swap rates, which are retrieved or derived from available market data. Although we may extrapolate or interpolate this data, we do not otherwise alter this data in performing our valuations. We incorporate a credit risk valuation adjustment in our fair value measurements to estimate the impact of both our own nonperformance risk and the nonperformance risk of our counterparties. Our and our counterparties' credit spreads represent our most significant Level 3 inputs, and these inputs 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 are quantified and further explained in note 8. In addition, and as further described in note 8, prior to its settlement in December 2016, we had an equity-related derivative instrument that was recorded at fair value based upon Level 3 inputs.

Fair value measurements are also used in connection with nonrecurring valuations performed in connection with impairment assessments, acquisition accounting and fair value assessments in connection with the closing of the JV Transaction. These nonrecurring valuations include the enterprise value of our company in connection with the closing of the JV Transaction, intangible assets subject to amortization, including customer relationships, mobile spectrum licenses and trade names, property and equipment and the implied value of goodwill. All of our nonrecurring valuations, except for third-party debt as further described below, use significant unobservable inputs and therefore fall under Level 3 of the fair value hierarchy. Upon formation of the VodafoneZiggo JV, the assets and liabilities of Old Ziggo and Vodafone NL have been recorded at fair value as further described in note 4. The following list sets forth the primary nonrecurring valuations performed related to certain of our assets and liabilities upon closing of the JV Transaction.

- *Enterprise value.* The valuation of our company (our only reporting unit) is based on discounted cash flow and market approach analyses. With the exception of certain inputs for our weighted average cost of capital and discount rate calculations that are derived from pricing services, the inputs used in our discounted cash flow analyses, such as forecasts of future cash flows, are based on our assumptions. The market approach is performed using comparable trading entity enterprise values, EBITDA multiples and transaction multiples from comparable telecom transactions. We used discount rates of 6.5% - 7.5% in connection with the enterprise value of our company.
- *Customer relationships.* 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. We used a discount rate of 6.0% in connection with the valuation of our customer relationships.
- *Mobile spectrum licenses.* The valuation of our mobile spectrum licenses is primarily based upon a market approach, which assumes the prices companies would pay for similar assets in market transactions.
- *Tangible assets.* The valuation of our tangible assets is 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.
- *Trade names.* The valuation of our trade names is primarily based on a relief-from-royalty methodology, which is a form of a discounted cash flow analysis. We used a discount rate of 7.0% in connection with the valuation of our trade names.
- *Third-party debt.* 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).

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During the year ended 2015, we performed nonrecurring valuations for the purpose of determining the acquisition accounting for the Ziggo Acquisition. We used a discount rate of 8.5% for our valuation of the customer relationships acquired as a result of the Ziggo Acquisition.

(10) Long-lived Assets

Property and Equipment, Net

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

	Estimated useful life at December 31, 2016	Successor December 31, 2016	Predecessor December 31, 2015 (a)
Distribution systems	4 to 30 years	€ 4,368.4	€ 3,054.1
Customer premises equipment	3 to 5 years	318.7	688.6
Support equipment, buildings and land	3 to 25 years	775.8	587.8
		5,462.9	4,330.5
Accumulated depreciation		—	(1,520.1)
Total property and equipment, net		€ 5,462.9	€ 2,810.4

(a) As retrospectively revised – see note 1.

Depreciation expense related to our property and equipment was €529.8 million, €639.8 million and €222.5 million during 2016, 2015 and 2014, respectively.

During 2016, 2015 and 2014, we recorded non-cash increases to our property and equipment related to vendor financing arrangements of €179.7 million, €86.7 million and €13.2 million, respectively, which exclude related VAT of €20.1 million, €10.7 million and €2.5 million, respectively, that was also financed by our vendors under these arrangements.

Most of our property and equipment is pledged as security under our various debt instruments. For additional information, see note 11.

During 2016 and 2015, we recorded impairment charges of €1.1 million and €5.3 million, respectively. The 2016 amount was primarily related to tangible assets, while the 2015 amount primarily related to intangible assets acquired in the Ziggo Acquisition. During the fourth quarter of 2014, we recorded a €56.8 million impairment charge to reduce the carrying amount of certain internal-use software assets to zero as these assets are not used by our operations following the Ziggo Acquisition.

Goodwill

The change in the carrying amount of our goodwill during 2015 and 2016 is set forth below (in millions):

Predecessor:

January 1, 2015 (a)	€ 7,112.3
Acquisition related adjustments	114.1
Impairment	(0.5)
December 31, 2015 (a)	€ 7,225.9
December 31, 2016 prior to closing of the JV Transaction	€ 7,225.9

Successor:

December 31, 2016 after closing of the JV Transaction (b)	€ 7,310.4
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- (a) As retrospectively revised – see note 1.
- (b) Our goodwill represents the equity of the VodafoneZiggo JV contributed businesses in excess of the fair value of our net identifiable assets and liabilities. For additional information regarding the JV Transaction, see note 4.

If, among other factors, (i) our enterprise value was to decline significantly or (ii) the adverse impacts of economic, competitive, regulatory or other factors were to cause our results of operations or cash flows to be worse than anticipated, we could conclude in future periods that impairment charges are required in order to reduce the carrying values of our goodwill and, to a lesser extent, other long-lived assets. Any such impairment charges could be significant.

Intangible Assets Subject to Amortization, Net

The details of our intangible assets subject to amortization are set forth below (in millions):

	Successor			Predecessor		
	December 31, 2016			December 31, 2015		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
Customer relationships (a)	€ 6,550.0	€ —	€ 6,550.0	€ 3,898.8	€ (443.5)	€ 3,455.3
Licenses (b)	1,059.7	—	1,059.7	1.0	(0.2)	0.8
Trade name (c)	270.0	—	270.0	—	—	—
Total	<u>€ 7,879.7</u>	<u>€ —</u>	<u>€ 7,879.7</u>	<u>€ 3,899.8</u>	<u>€ (443.7)</u>	<u>€ 3,456.1</u>

- (a) The weighted average useful life of our customer relationships was approximately 15 years as of December 31, 2016.
- (b) The 2016 amount primarily represents mobile spectrum licenses associated with the mobile operations of Vodafone NL. The weighted average useful life of our licenses was approximately 13 years as of December 31, 2016.
- (c) The 2016 amount represents the Ziggo trade name. Prior to the closing of the JV Transaction, the Ziggo trade name was an indefinite-lived intangible asset. Accordingly, at December 31, 2015, other assets, net in our consolidated balance sheet included €75.0 million related to the Ziggo trade name. In connection with the fair value assessment of our assets and liabilities upon closing of the JV Transaction, we concluded that the Ziggo trade name has an estimated useful life of 25 years. Accordingly, the Ziggo trade name is now an intangible asset subject to amortization.

Amortization expense related to intangible assets with finite useful lives was €387.6 million, €398.3 million and €74.9 million during 2016, 2015 and 2014, respectively. Based on our amortizable intangible asset balances at December 31, 2016, we expect that amortization expense will be as follows for the next five years and thereafter (in millions):

2017	€ 562.6
2018	558.1
2019	558.1
2020	558.1
2021	558.1
Thereafter	5,084.7
Total	<u>€ 7,879.7</u>

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(11) Debt and Capital Lease Obligations

The euro equivalents of the components of our third-party debt are as follows (in millions, except percentages):

	December 31, 2016		Estimated fair value (c)		Principal amount	
	Weighted average interest rate (a)	Unused borrowing capacity (b)	Successor	Predecessor	Successor	Predecessor
			December 31, 2016	December 31, 2015	December 31, 2016	December 31, 2015
Subsidiaries:						
Credit Facilities (d).....	3.69%	€ 800.0	€ 4,664.3	€ 4,749.7	€ 4,632.8	€ 4,851.9
SPE Notes.....	5.03%	—	4,802.6	1,456.6	4,843.2	1,568.1
Senior and Senior Secured Notes ...	6.82%	—	921.6	879.0	814.8	814.8
Vendor financing (e).....	2.66%	—	275.3	116.1	275.3	116.1
Total principal amount of third-party debt before unamortized premiums, discounts and deferred financing costs.....	4.52%	€ 800.0	€ 10,663.8	€ 7,201.4	€ 10,566.1	€ 7,350.9

The following table provides a reconciliation of total third-party debt before unamortized premiums, discounts and deferred financing costs to total debt and capital lease obligations (in millions):

	Successor December 31, 2016	Predecessor December 31, 2015 (f)
Total principal amount of third-party debt before unamortized premiums, discounts and deferred financing costs	€ 10,566.1	€ 7,350.9
Unamortized premiums, net of discounts	100.6	23.2
Unamortized deferred financing costs	(2.9)	(26.6)
Total carrying amount of third-party debt.....	10,663.8	7,347.5
Third-party capital lease obligations	—	0.2
Total third-party debt and capital lease obligations.....	10,663.8	7,347.7
Related-party debt and capital lease obligations (note 13).....	2,002.6	3,135.9
Total debt and capital lease obligations.....	12,666.4	10,483.6
Current maturities of debt and capital lease obligations	(476.9)	(119.6)
Long-term debt and capital lease obligations.....	€ 12,189.5	€ 10,364.0

- (a) Represents the weighted average interest rate in effect at December 31, 2016 for all borrowings outstanding pursuant to each debt instrument, including any applicable margin. The interest rates presented represent stated rates and do not include the impact of derivative instruments, deferred financing costs, original issue premiums or discounts and commitment fees, all of which affect our overall cost of borrowing. Including the effects of derivative instruments, original issue premiums or discounts and commitment fees, but excluding the impact of financing costs, our weighted average interest rate on our aggregate third-party variable- and fixed-rate indebtedness was 5.1% at December 31, 2016. For information regarding our derivative instruments, see note 8.
- (b) Unused borrowing capacity represents the maximum availability under the Credit Facilities (as defined and described below) at December 31, 2016 without regard to covenant compliance calculations or other conditions precedent to borrowing. At December 31, 2016, based on the applicable leverage and other financial covenants, as adjusted to include estimated annualized EBITDA of Vodafone NL, the full €800.0 million of unused borrowing capacity was available to be borrowed. When the relevant December 31, 2016 compliance reporting requirements have been completed, and assuming no changes from December 31, 2016 borrowing levels, we anticipate that the full amount of unused borrowing capacity will continue

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to be available. In addition to these limitations, the debt instruments of the borrowers of the Credit Facilities contain restricted payment tests that limit the amount that can be loaned or distributed to other VodafoneZiggo subsidiaries and ultimately to VodafoneZiggo. At December 31, 2016, the availability to be loaned or distributed by the borrowers of the Credit Facilities was limited to €621.5 million. When the relevant December 31, 2016 compliance reporting requirements have been completed, and assuming no changes from the December 31, 2016 borrowing levels, we anticipate the availability to be loaned or distributed by the borrowers of the Credit Facilities will be limited to €705.0 million.

- (c) The estimated fair values of our debt instruments are determined using the average of applicable bid and ask prices (mostly Level 1 of the fair value hierarchy). For additional information regarding fair value hierarchies, see note 9.
- (d) On March 31, 2016, (i) Ziggo Finance 2 B.V. (**Ziggo Finance 2**), our wholly-owned subsidiary, purchased a €75.0 million term loan receivable from a third-party lender, which bears interest at EURIBOR plus 3.00% and matures in 2022, and (ii) UPC Nederland Holding II B.V. (**UPC Nederland Holding II**), a wholly-owned subsidiary of UPC Nederland Holding, purchased a €25.0 million term loan receivable from a third-party lender, which bears interest at EURIBOR plus 3.75% and matures in 2021. In connection with these transactions, we recorded non-cash increases to the Liberty Global Broadband Note and Liberty Global Europe Note, each as defined and described in note 13. During the fourth quarter of 2016, the term loan receivables purchased by Ziggo Finance 2 and UPC Nederland Holding II were both settled as a non-cash decrease to the Liberty Global Europe Note of €100.0 million. For additional information regarding the settlement of these receivables, see note 13.
- (e) Represents amounts owed pursuant to interest-bearing vendor financing arrangements that are primarily used to finance certain of our property and equipment additions and, to a lesser extent, certain of our operating expenses. These obligations are generally due within one year and include VAT that was paid on our behalf by the vendor. Repayments of vendor financing obligations are included in repayments of third-party debt and capital lease obligations in our consolidated statements of cash flows.
- (f) As retrospectively revised – see note 1.

Credit Facilities. We have entered into two credit facilities agreements with certain financial institutions (the “**credit facilities**”). Our credit facilities contain certain covenants and restrictions, the more notable of which are as follows:

- Our credit facilities contain certain consolidated net leverage ratios, as specified in the respective credit facility, which are required to be complied with on an incurrence and/or maintenance basis;
- Our credit facilities contain certain restrictions which, among other things, restrict the ability of certain of our subsidiaries to (i) incur or guarantee certain financial indebtedness, (ii) make certain disposals and acquisitions, (iii) create certain security interests over their assets, in each case, subject to certain customary and agreed exceptions and (iv) make certain restricted payments to their direct and/or indirect parent companies through dividends, loans or other distributions, subject to compliance with applicable covenants;
- Our credit facilities require that certain of our subsidiaries (i) guarantee the payment of all sums payable under the relevant credit facility and (ii) grant first-ranking security over their shares, certain intercompany loan receivables and certain other assets to secure the payment of all sums payable thereunder;
- In addition to certain mandatory prepayment events, the instructing group of lenders under each credit facility may cancel the commitments thereunder and declare the loans thereunder due and payable after the applicable notice period following the occurrence of a change of control (as specified in the credit facilities);
- Our credit facilities contain certain customary events of default, the occurrence of which, subject to certain exceptions and materiality qualifications, would allow the instructing group of lenders to (i) cancel the total commitments, (ii) accelerate all outstanding loans and terminate their commitments thereunder and/or (iii) declare that all or part of the loans be payable on demand;
- Our credit facilities require that we observe certain affirmative and negative undertakings and covenants, which are subject to certain materiality qualifications and other customary and agreed exceptions; and

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- In addition to customary default provisions, our credit facilities include cross-default provisions with respect to our other indebtedness, subject to agreed minimum thresholds and other customary and agreed exceptions.

Senior and Senior Secured Notes. Ziggo Bond Company B.V. (**Ziggo Bondco**) and Ziggo B.V. have issued certain senior and senior secured notes, respectively. Ziggo B.V. is a wholly-owned subsidiary of Ziggo Bondco, which is a wholly-owned subsidiary of Ziggo Holding. In general, our senior and senior secured notes are senior obligations of each respective issuer that rank equally with all of the existing and future senior debt of such issuer and are senior to all existing and future subordinated debt of each respective issuer. Our senior secured notes (i) contain certain guarantees from other subsidiaries of VodafoneZiggo (as specified in the applicable indenture) and (ii) are secured by certain pledges or liens over the assets and/or shares of certain subsidiaries of VodafoneZiggo. In addition, the indentures governing our senior notes contain certain covenants, the more notable of which are as follows:

- Our notes contain (i) certain customary incurrence-based covenants and (ii) contain certain restrictions that, among other things, restrict our ability to (a) incur or guarantee certain financial indebtedness, (b) make certain disposals and acquisitions, (c) create certain security interests over our assets, in each case, subject to certain customary and agreed exceptions and (d) make certain restricted payments to our direct and/or indirect parent companies through dividends, loans or other distributions, subject to compliance with applicable covenants;
- Our notes provide that any failure to pay principal prior to expiration of any applicable grace period, or any acceleration with respect to other indebtedness of the issuer or certain of our subsidiaries, over agreed minimum thresholds (as specified under the applicable indenture) is an event of default under the respective notes;
- If the issuer or certain of its subsidiaries (as specified in the applicable indenture) sell certain assets, such issuer must offer to repurchase the applicable notes at par, or if a change of control (as specified in the applicable indenture) occurs, such issuer must offer to repurchase all of the relevant notes at a redemption price of 101%; and
- Our senior secured notes contain certain early redemption provisions including the ability to, during each 12-month period commencing on the issue date for such notes until the applicable call date, redeem up to 10% of the principal amount of the notes to be redeemed at a redemption price equal to 103% of the principal amount of the notes to be redeemed plus accrued and unpaid interest.

SPE Notes. We have formed two special purpose financing entities: (i) Ziggo Bond Finance B.V. (**Ziggo Bond Finance**) and (ii) Ziggo Secured Finance B.V. (**Ziggo Secured Finance**, together with Ziggo Bond Finance, the **SPEs**), which are used from time to time to issue or incur senior and senior secured indebtedness. To that end, the SPEs have facilitated (a) the 2015 issuance of (I) the 2025 Senior Secured Notes, (2) the 2025 Euro Senior Notes and (3) the 2025 Dollar Senior Notes, each as defined and described below (collectively, the **2015 SPE Notes**), (b) the creation of the 2015 Credit Facility, as defined and described below, and (c) the 2016 issuance of (I) the 2027 Dollar Senior Secured Notes, (II) the 2027 Euro Senior Secured Notes and (III) the 2027 Senior Notes, each as defined and described below (collectively, the **2016 SPE Notes**). The 2015 SPE Notes and 2016 SPE Notes are collectively referred to herein as the “**SPE Notes**”. The SPEs are wholly-owned by a Dutch foundation.

Except as further described below under *2016 Financing Transactions*, the SPEs use the proceeds from the issuance of senior and senior secured notes to fund term loan facilities (the **Proceeds Loans**) to the Proceeds Loan Borrowers (as defined below). Each of the SPEs is dependent on payments from the applicable Proceeds Loan Borrowers in order to service its payment obligations under the applicable SPE Notes. None of the Proceeds Loan Borrowers, or any of their respective subsidiaries, guarantee or provide any credit support for the SPEs’ obligations under the SPE Notes; however, certain subsidiaries of VodafoneZiggo have agreed to be bound by the covenants in the indentures governing the SPE Notes and guarantee the obligations under the Proceeds Loans. Although the Proceeds Loan Borrowers have no equity or voting interest in any of the SPEs, each of the Proceeds Loans creates a variable interest in the respective SPE for which the applicable Proceeds Loan Borrowers are the primary beneficiary. As such, the Proceeds Loan Borrowers and their parent entities, including VodafoneZiggo, are required to consolidate the SPEs. Accordingly, the amounts outstanding under the Proceeds Loans are eliminated in our consolidated balance sheets.

Pursuant to the respective indentures for the SPE Notes (the **SPE Note Indentures**) and the respective accession agreements for the Proceeds Loans, the call provisions, maturity and applicable interest rate for each of the Proceeds Loans are the same as those of the related SPE Notes. Through the covenants in the applicable SPE Note Indentures and the respective covenant agreements between the SPEs and the Proceeds Loan Borrowers, the holders of the SPE Notes are provided indirectly with the benefits, rights,

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protections and covenants granted of the group. The SPEs are prohibited from incurring any additional indebtedness, subject to certain exceptions under the SPE Note Indentures.

Credit Facilities

The Credit Facilities are the senior secured credit facilities of certain subsidiaries of VodafoneZiggo. The details of our borrowings under the Credit Facilities as of December 31, 2016 are summarized in the following table:

Credit Facility	Maturity	Interest rate	Facility amount (in borrowing currency) (a)	Outstanding principal amount	Unused borrowing capacity	Carrying value (b)
in millions						
Dollar Facility	January 15, 2022	LIBOR + 2.75% (c)	\$ 1,050.0	€ 995.5	€ —	€ 1,002.5
Facility C	August 31, 2024	EURIBOR + 3.75% (d)	€ 2,689.2	2,689.2	—	2,705.3
Facility D	August 31, 2024	LIBOR + 3.00% (e)	\$ 1,000.0	948.1	—	956.5
Proceeds Loans:						
2016 Dollar Senior Secured Proceeds Loan (f)	January 15, 2027	5.500%	\$ 300.0	284.4	—	276.6
2015 Proceeds Loans:						
2015 Senior Secured Proceeds Loan (f)	January 15, 2025	3.750%	€ 800.0	800.0	—	813.0
2015 Senior Proceeds Loans:						
2015 Euro Senior Proceeds Loan (f) ...	January 15, 2025	4.625%	€ 400.0	400.0	—	410.5
2015 Dollar Senior Proceeds Loan (f) ...	January 15, 2025	5.875%	\$ 400.0	379.3	—	377.8
Revolving Facilities (g) (h)	June 30, 2020	(g)	€ 800.0	—	800.0	—
Elimination of the Proceeds Loans in consolidation (f)				(1,863.7)	—	(1,877.9)
Total				€ 4,632.8	€ 800.0	€ 4,664.3

- (a) Except as described in (f) below, amounts represent total third-party facility amounts as of December 31, 2016.
- (b) Amounts are net of unamortized premiums, discounts and deferred financing costs, as applicable.
- (c) The Dollar Facility has a LIBOR floor of 0.75%.
- (d) Facility C had a EURIBOR floor of 0.0%. As further described in note 17, the outstanding balance of Facility C was prepaid subsequent to December 31, 2016 in connection with a refinancing transaction.
- (e) Facility D had a LIBOR floor of 0.0%. As further described in note 17, the outstanding balance of Facility D was prepaid subsequent to December 31, 2016 in connection with a refinancing transaction.
- (f) As further discussed in the below description of the SPE Notes, the amounts outstanding under the Proceeds Loans, are eliminated in our consolidated financial statements.
- (g) The Revolving Facilities include (i) a €750.0 million facility that bears interest at EURIBOR plus 2.75% and has a fee on unused commitments of 1.1% per year and (ii) a €50.0 million facility that bears interest at EURIBOR plus 2.00% and has a fee on unused commitments of 0.8% per year.

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- (h) At December 31, 2016, based on the applicable leverage and other financial covenants, as adjusted to include estimated annualized EBITDA of Vodafone NL, the full €800.0 million of unused borrowing capacity was available to be borrowed. When the relevant December 31, 2016 compliance reporting requirements have been completed, and assuming no changes to the December 31, 2016 borrowing levels, we anticipate that the full amount of unused borrowing capacity will continue to be available.

2016 Refinancing Transactions. In August 2016, (i) Ziggo Secured Finance entered into Facility C and (ii) Ziggo Secured Finance Partnership entered into Facility D. As further described in note 17, the outstanding balance of both Facility C and Facility D were prepaid subsequent to December 31, 2016 in connection with a refinancing transaction. Facility C and Facility D were each issued at 99.5% of par. Facility C bore interest at a rate of EURIBOR plus 3.75% and was subject to a EURIBOR floor of 0.0%. Facility D bore interest at a rate of LIBOR plus 3.00% and was subject to a LIBOR floor of 0.0%. The net proceeds from Facility C were used, in conjunction with existing cash, to prepay in full (a) the €664.2 million outstanding principal amount under the 2015 Credit Facility, as defined and described below under *Non-cash Financing Transactions*, and (b) the €1,925.0 million outstanding principal amount under the Euro Facility, and the net proceeds from Facility D were used, in conjunction with existing cash, to prepay \$1,000.0 million (€948.1 million) of the \$2,350.0 million (€2,228.0 million) outstanding principal amount under the Dollar Facility. Except as noted above, these transactions were completed as non-cash refinancings. In connection with these transactions, we recognized a loss on debt modification and extinguishment, net, of €14.3 million. This loss includes the write-off of (i) €11.4 million of unamortized discounts and (ii) €2.9 million of deferred financing costs.

SPE Notes

The details of the SPE Notes as of December 31, 2016 are summarized in the following table:

SPE Notes	Maturity	Interest rate	Outstanding principal amount		Estimated fair value	Carrying value (a)
			Borrowing currency	Euro equivalent		
in millions						
2016 SPE Notes:						
2027 Dollar Senior Secured Notes.....	January 15, 2027	5.500%	\$ 2,000.0	€ 1,896.3	€ 1,851.2	€ 1,851.2
2027 Euro Senior Secured Notes	January 15, 2027	4.250%	€ 775.0	775.0	776.9	776.9
2027 Senior Notes.....	January 15, 2027	6.000%	\$ 625.0	592.6	573.2	573.2
2015 SPE Notes:						
2025 Senior Secured Notes.....	January 15, 2025	3.750%	€ 800.0	800.0	813.0	813.0
2025 Euro Senior Notes	January 15, 2025	4.625%	€ 400.0	400.0	410.5	410.5
2025 Dollar Senior Notes.....	January 15, 2025	5.875%	\$ 400.0	379.3	377.8	377.8
Total.....				€ 4,843.2	€ 4,802.6	€ 4,802.6

- (a) Amounts are net of unamortized premiums, discounts and deferred financing costs, as applicable.

Subject to the circumstances described below, the 2015 SPE Notes and the 2016 SPE Notes are non-callable until January 15, 2020 and January 15, 2022, respectively (together the **Callable Dates**). If, however, at any time prior to the Callable Dates, all or a portion of the loans under the related Proceeds Loans are voluntarily prepaid (an **Early Redemption Event**), then the applicable SPE will be required to redeem an aggregate principal amount of its respective SPE Notes equal to the aggregate principal amount of the loans so prepaid under the relevant Proceeds Loans. In general, the redemption price payable will equal 100% of the principal amount of the applicable SPE Notes to be redeemed and a “make-whole” premium, which is the present value of all remaining scheduled interest payments to the first call date using the discount rate (as specified in the applicable indenture) as of the redemption date plus 50 basis points.

On or after the Callable Dates, the applicable SPE may redeem all, or from time to time a part, of the SPE Notes at the redemption prices (expressed as a percentage of the principal amount) plus accrued and unpaid interest and additional amounts (as specified in the indenture), if any, to the applicable redemption date set forth in the table below. Additionally, upon the occurrence of an Early Redemption Event on or after the applicable Callable Dates, the applicable SPE will redeem an aggregate principal

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amount of its SPE Notes equal to the principal amount of the related Proceeds Loans prepaid at the following redemption prices (expressed as a percentage of the principal amount), plus accrued and unpaid interest and additional amounts (as specified in the applicable indenture), if any, to the redemption date, as set forth in the table below.

	Redemption price					
	2025 Dollar Senior Notes	2025 Euro Senior Notes	2025 Senior Secured Notes	2027 Dollar Senior Secured Notes	2027 Euro Senior Secured Notes	2027 Senior Notes
12-month period commencing January 15:						
2020	102.938%	102.313%	101.875%	N.A.	N.A.	N.A.
2021	101.958%	101.542%	101.250%	N.A.	N.A.	N.A.
2022	100.979%	100.771%	100.625%	102.750%	102.125%	103.000%
2023	100.000%	100.000%	100.000%	101.833%	101.417%	102.000%
2024	100.000%	100.000%	100.000%	100.917%	100.708%	101.000%
2025 and thereafter	N.A.	N.A.	N.A.	100.000%	100.000%	100.000%

2016 Financing Transaction. In September 2016, (i) Ziggo Secured Finance issued (a) the 2027 Dollar Senior Secured Notes and (b) the 2027 Euro Senior Secured Notes, and (ii) Ziggo Bond Finance issued the 2027 Senior Notes (collectively, the **2016 SPE Notes**). Ziggo Secured Finance used \$300.0 million (€284.4 million) of the net proceeds from the 2027 Dollar Senior Secured Notes to fund the 2016 Dollar Senior Secured Proceeds Loan, with Ziggo B.V., as the borrower (together with the 2015 Proceeds Loan Borrowers, as defined below, the **Proceeds Loan Borrowers**). The 2016 Dollar Senior Secured Proceeds Loan was used to prepay \$300.0 million (€284.4 million) of the principal amount outstanding under the Dollar Facility.

The remaining net proceeds from the 2016 SPE Notes of €2,979.4 million euro equivalent were placed into certain escrow accounts (the **Escrowed Proceeds**) and, accordingly, were accounted for as non-cash financing transactions. The Escrowed Proceeds are presented as restricted cash in our consolidated balance sheet. Pursuant to the terms of the Contribution Agreement, we were obligated to distribute €2,844.0 million of the Escrowed Proceeds to VodafoneZiggo Group Holding and ultimately to Liberty Global and Vodafone subsequent to the closing of the JV Transaction. Accordingly, we have reflected this obligation as a related-party distribution payable in our consolidated balance sheet. On January 4, 2017, the Escrowed Proceeds were released from escrow and used to fund proceeds loans to the Proceeds Loan Borrowers of which €2,844.0 million was distributed to VodafoneZiggo Group Holding whom ultimately distributed 50% to each of Liberty Global and Vodafone. For additional information regarding the JV Transaction and the formation of the VodafoneZiggo JV, see note 4.

2015 Refinancing Transactions. On January 29, 2015, Ziggo Bond Finance issued (i) the 2025 Dollar Senior Notes and (ii) the 2025 Euro Senior Notes, the proceeds of which were used to fund the 2015 Senior Proceeds Loans, with UPC Nederland Holding I B.V. as the borrower.

On February 4, 2015, Ziggo Secured Finance issued the 2025 Senior Secured Notes and used such proceeds to fund the 2015 Senior Secured Proceeds Loan, with UPC Nederland Holding III B.V. as the borrower. UPC Nederland Holding I B.V. and UPC Nederland Holding III B.V. are collectively referred to as the **"2015 Proceeds Loan Borrowers"**.

The net proceeds of the 2015 SPE Notes, and ultimately the net proceeds from the 2015 Proceeds Loans, were placed into certain escrow accounts and were released from escrow on March 5, 2015 upon the Ziggo Services Transfer being consummated. The proceeds from the issuance of the 2025 Euro Senior Notes and the 2025 Senior Secured Notes, and ultimately the aggregate €1,200.0 million of proceeds from the 2015 Euro Senior Proceeds Loan and the 2015 Senior Secured Proceeds Loan, were released from the escrow account and distributed directly to UPC Financing Partnership, a subsidiary of UPC Broadband Holding, as defined and described below, and, as such, represents a non-cash issuance of debt. The proceeds from the 2025 Dollar Senior Notes, and ultimately the 2015 Dollar Senior Proceeds Loan, were received by Ziggo Bond Finance with €334.5 million being distributed to UPC Financing Partnership upon being released from escrow. This distribution, together with the distribution of the 2015 Euro Senior Proceeds Loan and the 2015 Senior Secured Proceeds Loan, were used to redeem a portion of the outstanding indebtedness of a subsidiary of UPC Broadband Holding. Prior to the Ziggo Services Transfer, UPC Broadband Holding indirectly owned 100% of Ziggo Services. In consideration for the distribution of the 2015 Proceeds Loans to UPC Financing Partnership, we entered into the Liberty Global Europe Holding Receivable, as defined and described in note 13.

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Senior and Senior Secured Notes

The details of the Senior and Senior Secured Notes as of December 31, 2016 are summarized in the following table:

Senior and Senior Secured Notes	Maturity	Interest rate	Outstanding principal amount	Estimated fair value	Carrying value (a)
2020 Euro Senior Secured Notes	March 27, 2020	3.625%	€ 71.7	€ 74.9	€ 74.9
2024 Euro Senior Notes	May 15, 2024	7.125%	743.1	846.7	846.7
Total			<u>€ 814.8</u>	<u>€ 921.6</u>	<u>€ 921.6</u>

(a) Amounts include the impact of premiums.

The 2020 Euro Senior Secured Notes are non-callable. At any time prior to maturity, Ziggo B.V. may redeem some or all of the 2020 Euro Senior Secured Notes by paying a “make-whole” premium, which is the present value at such redemption date using the discount rate (as specified in the applicable indenture) as of the redemption date plus 50 basis points.

The 2024 Euro Senior Notes are non-callable until May 15, 2019. At any time prior to May 15, 2019, Ziggo Bondco may redeem some or all of the 2024 Euro Senior Notes by paying a “make-whole” premium. Ziggo Bondco may redeem some or all of the 2024 Euro Senior Notes at the following redemption prices (expressed as a percentage of the principal amount) plus accrued and unpaid interest and additional amounts (as specified in the applicable indenture), if any, to the redemption date, as set forth below:

	Redemption price
12-month period commencing May 15:	
2019	103.563%
2020	102.375%
2021	101.188%
2022 and thereafter	100.000%

Margin Loan

On April 26, 2013, HoldCo V entered into the Margin Loan with a financial institution. The initial facility under the Margin Loan provided for borrowings of up to 65.0% of the value of the Ziggo Holding shares pledged on the date prior to the date of utilization. As of December 31, 2013, we had €460.0 million outstanding on the Margin Loan, which was repaid in full during the first quarter of 2014. In connection with this transaction, we recognized a €1.9 million loss on extinguishment of debt related to the write-off of deferred financing costs.

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Maturities of Debt and Capital Lease Obligations

The euro equivalents of the maturities of our debt and capital lease obligations as of December 31, 2016 are presented below:

Debt:

	<u>Third-party debt (a)</u>	<u>Related-party debt</u>	<u>Total</u>
	<u>in millions</u>		
Year ending December 31:			
2017.....	€ 275.3	€ 200.0	€ 475.3
2018.....	—	200.0	200.0
2019.....	—	200.0	200.0
2020.....	71.7	—	71.7
2021.....	—	—	—
Thereafter.....	10,219.1	1,400.0	11,619.1
Total debt maturities.....	<u>10,566.1</u>	<u>2,000.0</u>	<u>12,566.1</u>
Unamortized premiums, net of discounts.....	100.6	—	100.6
Unamortized deferred financing costs.....	(2.9)	—	(2.9)
Total debt.....	<u>€ 10,663.8</u>	<u>€ 2,000.0</u>	<u>€ 12,663.8</u>
Current portion.....	<u>€ 275.3</u>	<u>€ 200.0</u>	<u>€ 475.3</u>
Noncurrent portion.....	<u>€ 10,388.5</u>	<u>€ 1,800.0</u>	<u>€ 12,188.5</u>

(a) Amounts include certain senior and senior secured notes issued by the SPEs that are consolidated by VodafoneZiggo.

Related-party Capital Lease Obligations (in millions):

Year ending December 31:	
2017	€ 1.6
2018	1.0
2019	0.3
2020 and thereafter	—
Total principal and interest payments.....	<u>2.9</u>
Amounts representing interest	<u>(0.3)</u>
Present value of net minimum lease payments	<u>€ 2.6</u>
Current portion	<u>€ 1.6</u>
Noncurrent portion.....	<u>€ 1.0</u>

Non-cash Financing Transactions

In connection with the Ziggo Services Transfer, lenders under a bank facility at UPC Broadband Holding B.V. (**UPC Broadband Holding**), another subsidiary of Liberty Global, agreed to roll a €689.2 million facility into new term loans (the **SPV Term Loans**) under a new senior secured credit facility with Ziggo Secured Finance as the borrower (the **2015 Credit Facility**). This transaction (the **Term Loan Roll**) is reflected as a non-cash distribution in connection with the novation of third-party debt from another subsidiary of Liberty Global in our 2015 consolidated statement of owners' equity. As a result of the Term Loan Roll, the SPV Term Loans rolled into the 2015 Credit Facility on a cashless basis, and a receivable was created owing from Ziggo Services to Ziggo Secured Finance.

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(12) Income Taxes

Our consolidated financial statements include the income taxes on a separate return basis (i) of VodafoneZiggo effective December 31, 2016 upon closing of the JV Transaction, (ii) prior to the closing of the JV Transaction (a) of Old Ziggo, along with UPC Nederland Holding and its Dutch subsidiaries, and (b) of HoldCo VI Dutch Fiscal Unity, and (iii) during 2014, of (1) UPC Equipment, (2) UPC International and (3) UMI based on the local tax law.

Prior to the closing of the JV Transaction on December 31, 2016, Old Ziggo, along with UPC Nederland Holding and its Dutch subsidiaries, were part of the Liberty Global Holding Dutch Fiscal Unity. The Liberty Global Holding Dutch Fiscal Unity combined individual tax-paying Dutch entities and their ultimate Dutch parent company as one taxpayer for Dutch tax purposes. Related-party tax allocations to our company from other Liberty Global Holding subsidiaries within the Liberty Global Holding Dutch Fiscal Unity were not subject to tax-sharing agreements, and no cash payments were made between the companies related to the Dutch tax attributes. Accordingly, related-party tax allocations have been reflected as an adjustment in our consolidated statements of owner's equity. Upon closing of the JV Transaction, VodafoneZiggo Group Holding together with VodafoneZiggo and its subsidiaries, formed the VodafoneZiggo Fiscal Unity. The VodafoneZiggo Fiscal Unity is one taxpayer for the period of time subsequent to the closing of the JV Transaction. Related-party tax allocations to our company from VodafoneZiggo Group Holding are not subject to tax-sharing agreements, and no cash payments will be made between VodafoneZiggo and VodafoneZiggo Group Holding related to the Dutch tax attributes. Accordingly, related-party tax allocations will be reflected as adjustments in our consolidated statements of owner's equity.

Furthermore, UMI has entered into a tax integration agreement and a profit-sharing agreement with its immediate parent, Unitymedia Hessen, which is primarily liable for the related tax obligations. As a result, UMI's income is fully attributed to Unitymedia Hessen and no provision for income taxes has been made in our consolidated financial statements for UMI on a separate return basis for the year ended December 31, 2014. Effective January 1, 2015, we no longer consolidate UMI. For more information regarding the deconsolidation of UMI, see note 1.

The details of our current and deferred income tax benefit (expense) consists of:

	Predecessor		
	Year ended December 31,		
	2016	2015 (a)	2014
	in millions		
Deferred income tax benefit.....	€ 183.0	€ 108.8	€ 39.4
Related-party allocation of current tax benefit (expense)	—	14.4	(73.1)
Current income tax receivable.....	—	2.8	—
Total income tax benefit (expense).....	<u>€ 183.0</u>	<u>€ 126.0</u>	<u>€ (33.7)</u>

(a) As retrospectively revised – see note 1.

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

	Predecessor		
	Year ended December 31,		
	2016	2015 (a)	2014 (a)
	in millions		
Computed "expected" tax benefit (expense)	€ 156.9	€ 117.8	€ (49.4)
Tax benefit associated with technology innovations	71.0	19.0	2.1
Change in valuation allowances	(37.8)	(4.7)	(3.3)
Non-deductible or non-taxable interest and other expenses	(17.4)	(11.8)	(21.8)
Basis and other differences in the treatment of items associated with investment in subsidiaries and affiliates	10.3	(2.6)	37.6
Recognition of previously unrecognized tax benefits	—	8.4	1.3
Other, net	—	(0.1)	(0.2)
Total income tax benefit (expense)	<u>€ 183.0</u>	<u>€ 126.0</u>	<u>€ (33.7)</u>

(a) As retrospectively revised – see note 1.

The components of our deferred tax liabilities are as follows (in millions):

	Successor	Predecessor
	December 31, 2016	December 31, 2015
Deferred tax assets	€ —	€ 128.2
Deferred tax liabilities	(1,514.5)	(694.9)
Net deferred tax liabilities	<u>€ (1,514.5)</u>	<u>€ (566.7)</u>

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The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are presented below (in millions):

	<u>Successor</u> <u>December 31,</u> <u>2016</u>	<u>Predecessor</u> <u>December 31,</u> <u>2015</u>
Deferred tax assets:		
Debt	€ 168.5	€ 121.3
Net operating loss and other carryforwards	61.6	80.4
Derivative instruments	32.4	11.7
Investments	22.0	—
Property and equipment, net	—	126.4
Other future deductible amounts	12.2	2.2
Deferred tax assets	296.7	342.0
Valuation allowance	(1.2)	(0.5)
Deferred tax assets, net of valuation allowance	295.5	341.5
Deferred tax liabilities:		
Intangible assets	(1,521.5)	(853.5)
Property and equipment, net	(280.7)	(50.7)
Other future taxable amounts	(7.8)	(4.0)
Deferred tax liabilities	(1,810.0)	(908.2)
Net deferred tax liabilities	€ (1,514.5)	€ (566.7)

Although we intend to take reasonable tax planning measures to limit our tax exposures, no assurance can be given that we will be able to do so.

We and our subsidiaries file consolidated and standalone income tax returns in various jurisdictions. In the normal course of business, our income tax filings are subject to review by various taxing authorities. In connection with such reviews, disputes could arise with the taxing authorities over the interpretation or application of certain income tax rules related to our business in that tax jurisdiction. Such disputes may result in future tax and interest and penalty assessments by these taxing authorities. The ultimate resolution of tax contingencies will take place upon the earlier of (i) the settlement date with the applicable taxing authorities in either cash or agreement of income tax positions or (ii) the date when the tax authorities are statutorily prohibited from adjusting the company's tax computations.

In general, tax returns filed by our company or our subsidiaries for years prior to 2014 are no longer subject to examination by tax authorities.

The following table sets for changes in our unrecognized tax benefits for 2015 and 2014. There were no changes in unrecognized tax benefits during 2016.

	<u>Predecessor</u> <u>Year ended December 31,</u> <u>2015</u>	<u>2014</u>
	<u>in millions</u>	
Balance at January 1	€ 8.4	€ 1.3
Additions based on tax positions related to the current year	—	8.4
Reductions for tax positions of prior years	(8.4)	(1.3)
Balance at December 31	€ —	€ 8.4

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(13) Related-party Transactions

Our related-party transactions are as follows:

	Predecessor		
	Year ended December 31,		
	2016	2015 (a)	2014 (a)
	in millions		
Revenue.....	€ 2.9	€ 2.3	€ 2.7
Programming and other direct costs of services.....	(12.6)	(9.9)	(4.1)
Other operating.....	(4.0)	(7.7)	(9.1)
SG&A expenses.....	(0.5)	(5.0)	(4.0)
Allocated share-based compensation expense:			
Included in other operating expenses.....	—	—	(0.3)
Included in SG&A expenses.....	(8.8)	(6.5)	(5.3)
Fees and allocations:			
Operating and SG&A related (exclusive of depreciation and share-based compensation).....	(73.3)	(64.5)	(40.8)
Depreciation.....	(50.7)	(35.3)	(22.0)
Share-based compensation.....	(19.5)	(27.5)	(6.9)
Management fee.....	(89.6)	(25.6)	(22.2)
Total fees and allocations.....	(233.1)	(152.9)	(91.9)
Included in operating income.....	(256.1)	(179.7)	(112.0)
Interest expense.....	(163.8)	(233.2)	(149.8)
Interest income.....	—	16.3	133.0
Related-party allocation of current tax benefit (expense).....	—	14.4	(73.1)
Included in net earnings (loss).....	€ (419.9)	€ (382.2)	€ (201.9)
Property and equipment additions, net.....	€ 153.0	€ 121.6	€ 58.8

(a) As retrospectively revised – see note 1.

Prior to the closing of the JV Transaction, certain Liberty Global subsidiaries charged fees and allocated costs and expenses to our company, as further described below. Upon closing of the JV Transaction, the fees and allocated costs and expenses have been replaced by fees for the JV Services pursuant to the JV Service Agreements. For additional information regarding fees to be charged pursuant to the JV Service Agreements, see note 4. The discussion set forth below provides descriptions of our related-party transactions during the Predecessor period prior to the closing of the JV Transaction.

General. Prior to the closing of the JV Transaction, certain Liberty Global subsidiaries charged fees and allocated costs and expenses to our company. Depending on the nature of these related-party transactions, the amount of the charges or allocations were 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. Through June 30, 2014, our related-party operating and SG&A expenses and related-party fees and allocations generally were based on our estimated share of the applicable estimated costs (including personnel-related and other costs associated with the services provided) incurred by the applicable Liberty Global subsidiaries. The estimated amounts charged were reviewed and revised on an annual basis, with any differences between the revised and estimated amounts recorded in the period identified, generally the first quarter of the following year. The revisions to reflect the actual costs underlying our related-party fees and allocations for 2013 amounted to an increase of €0.8 million in our billings from a subsidiary of Liberty Global, which amount was recorded during the first quarter of 2014. The revision to reflect actual costs for our related-party operating and SG&A expenses for 2013 was not material. During the third quarter of 2014, Liberty Global and its subsidiaries began basing the fees charged and amounts allocated on actual costs incurred. As a result, during the third quarter of 2014, we recorded a €7.7 million increase to the fees and allocations charged to us by a subsidiary of Liberty Global to reflect the impact

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of this change in methodology as of January 1, 2014. The impact of this change in methodology on our related-party operating and SG&A expenses was not material. 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 consolidated statements of operations are reflective of the costs that we would have incurred on a standalone basis. Except as noted below, our related-party transactions were generally cash settled.

During the first quarter of 2015, Liberty Global transferred certain entities that incur central and other administrative costs (the **Corporate Entities Transfer**) from one subsidiary to certain other Liberty Global subsidiaries that were outside of Liberty Global's borrowing groups. In connection with the Corporate Entities Transfer, Liberty Global changed the processes it used to charge fees and allocate costs and expenses from one subsidiary to another. This methodology, which was intended to ensure that Liberty Global continued to allocate its central and administrative costs to its borrowing groups on a fair and rational basis, impacted the calculation of the "EBITDA" metric specified by our debt agreements (**Covenant EBITDA**). In this regard, the components of related-party fees and allocations that were deducted to arrive at our Covenant EBITDA were based on (i) the amount and nature of costs incurred by the allocating Liberty Global subsidiaries during the period, (ii) the allocation methodologies in effect during the period and (iii) the size of the overall pool of entities that were charged fees and allocated costs. Prior to the closing of the JV Transaction, we were charged a fee of €543.0 million, net of tax of €181.0 million, by Liberty Global to terminate the agreement governing these related-party fees and allocations. This fee is reflected as a non-cash distribution in our consolidated statement of owner's equity. The obligation related to this fee was converted to equity and is reflected as a non-cash increase to owner's equity in our consolidated statement of owner's equity. In addition, a subsidiary of Liberty Global paid VAT associated with this fee of €152.0 million on our behalf, which is reflected as a contribution in our consolidated statement of owner's equity and is included in VAT receivable, net in our consolidated balance sheet. Subsequent to December 31, 2016, we received the outstanding balance of this VAT receivable from the Dutch tax authorities, which we then distributed to Liberty Global and Vodafone in accordance with the terms of the Shareholders Agreement.

Revenue. Amounts represent charges for certain commercial telephony services provided to certain Liberty Global subsidiaries and affiliates.

Programming and other direct costs of services. Amounts consist of charges for certain backbone and other services provided to our company by Liberty Global subsidiaries.

Other operating. Amounts represent certain cash-settled charges from Liberty Global subsidiaries to our company. Such amounts consist of (i) charges of €3.0 million, €3.9 million and €6.5 million during 2016, 2015 and 2014, respectively, for certain customer premises equipment, backbone and other network-related services provided to our company and (ii) charges of €1.0 million, €3.8 million and €2.6 million during 2016, 2015 and 2014, respectively, largely for outsourced labor and professional services provided to our company.

SG&A expenses. Amounts consist primarily of charges for information technology-related and other services provided to our company by certain Liberty Global subsidiaries.

Allocated share-based compensation expense. Amounts are allocated to our company by Liberty Global and represent share-based compensation associated with the Liberty Global share-based incentive awards held by certain employees of our subsidiaries.

Fees and allocations. These amounts represent fees charged to our company that originate with Liberty Global and certain of its subsidiaries, and include charges for management, finance, legal, technology, marketing and other services that support our company's operations, including, during 2014, the use of the UPC trademark. These charges were generally cash or loan settled. The categories of our fees and allocations are as follows:

- *Operating and SG&A related (exclusive of depreciation and share-based compensation).* The amounts included in this category, which were generally cash settled, represented our estimated share of certain centralized technology, management, marketing, finance and other operating and SG&A expenses of Liberty Global's European operations, whose activities benefited multiple operations, including operations within and outside of our company. The amounts allocated represented our estimated share of the actual costs incurred by Liberty Global's European operations, without a mark-up. Amounts in this category were generally deducted to arrive at our Covenant EBITDA.

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- *Depreciation.* The amounts included in this category, which were generally cash settled, represented our estimated share of depreciation of assets not owned by our company. The amounts allocated represented 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 were generally loan settled, represented our estimated share of share-based compensation associated with Liberty Global employees who were not employees of our company. The amounts allocated represented 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 were generally loan settled, represented our estimated allocable share of (i) operating and SG&A expenses related to stewardship services provided by certain Liberty Global subsidiaries and (ii) the mark-up, if any, applicable to each category of the related-party fees and allocations charged to our company.

During the first three quarters of 2014, a subsidiary of Liberty Global allocated technology-based costs to our company and other Liberty Global subsidiaries based on each subsidiaries' estimated proportionate share of these costs. During the fourth quarter of 2014, the approach used to charge technology-based fees was changed to a royalty-based method. For 2016, our proportional share of the technology-based costs of €163.4 million approximated the royalty-based technology fee charged under the new approach. During 2015 and 2014, our proportional share of the technology-based costs of €85.5 million, €50.5 million, respectively, was €25.0 million and €37.0 million, respectively, more than the royalty-based technology fee charged under the new approach. Accordingly, these excess amounts have been reflected as deemed contributions of technology-related services in our consolidated statements of owners' equity.

Interest expense. Amounts primarily relate to (i) during 2016 and 2015, the Liberty Global Broadband Note and the Liberty Global Europe Note, and (ii) during 2014, the Liberty Global Services Note, the Liberty Global Broadband Note and the 2012 Liberty Global Europe Note.

Interest income. Amounts primarily relate to the UPC Western Europe Loan Receivable and the UPC Broadband Loan Receivable. In addition, the 2014 amount includes interest income on a loan receivable from UPC Broadband Holding, which was settled during 2014.

Related-party allocation of current tax benefit (expense). Amounts represent related-party tax allocations from certain Liberty Global Holding subsidiaries within the Liberty Global Holding Dutch Fiscal Unity. For additional information, see note 12.

Property and equipment additions, net. These amounts, which were generally cash settled, represented the net carrying values of (i) customer premises and network-related equipment acquired from certain Liberty Global subsidiaries, which subsidiaries centrally procured equipment on behalf of our company, and (ii) used equipment transferred to certain Liberty Global subsidiaries outside of Old Ziggo. The excess of the consideration received over the aggregate carrying values of property and equipment transferred to Liberty Global subsidiaries outside of Old Ziggo was recorded as an increase to owner's equity. Conversely, the excess of the carrying value over consideration received for property and equipment transferred to Liberty Global subsidiaries outside of Old Ziggo was recorded as a decrease to owner's equity.

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The following table provides details of our related-party balances (in millions):

	Successor	Predecessor
	December 31,	December 31,
	2016	2015 (a)
Assets:		
Related-party receivables (b)	€ 14.9	€ 8.5
Liabilities:		
Accounts payable (c)	€ 99.9	€ 82.9
Accrued and other current liabilities (c)	14.3	72.2
Accrued interest	0.1	0.2
Debt (d):		
Liberty Global Europe Note	—	1,994.6
Liberty Global Broadband Note	1,000.0	1,122.9
Vodafone Note	1,000.0	—
Other related-party debt and capital lease obligations (e)	2.6	18.4
Other long-term liabilities (f)	—	222.3
Total liabilities	€ 2,116.9	€ 3,513.5

(a) As retrospectively revised – see note 1.

(b) Includes current receivables from certain Liberty Global subsidiaries, including amounts that result from cash advances to Liberty Global Europe and certain Liberty Global subsidiaries. The receivable balances resulting from these cash advances are periodically transferred to existing note receivable balances or settled against existing note payable balances, each on a non-cash basis. These cash advances are included in related-party receipts (payments), net, in our consolidated statements of cash flows.

(c) Represents non-interest bearing payables, accrued capital expenditures for property and equipment acquired and other accrued liabilities from certain Liberty Global subsidiaries that may be cash or loan settled. These balances also include amounts that result from cash advances from Liberty Global Europe and certain Liberty Global subsidiaries. The payable balances resulting from these cash advances are periodically transferred to existing note payable balances or settled against existing note receivable balances, each on a non-cash basis. These cash advances are included in related-party receipts (payments), net, in our consolidated statements of cash flows.

(d) Represents debt obligations, as further described below.

(e) Represents other interest-bearing borrowings pursuant to related-party loan and capital lease agreements.

(f) Amount represents accrued interest related to the Liberty Global Broadband Note and the Liberty Global Europe Note.

Related-party receivables

Liberty Global Europe Holding Receivable

In March 2015, we entered into a non-interest bearing loan receivable with Liberty Global Europe (the **Liberty Global Europe Holding Receivable**). The Liberty Global Europe Holding Receivable was settled during the third quarter of 2015, as further described below. Prior to its settlement, activity on the Liberty Global Europe Holding Receivable during 2015 included (i) a €1,544.1 million increase in connection with the March 2015 issuance of the 2015 Proceeds Loans, as further described in note 11, including (a) a €1,200.0 million non-cash increase and (b) a €344.1 million cash advance, (ii) an increase of €125.3 million

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related to transfers, as further described above, and (iii) a decrease of €28.9 million related to non-cash settlements of certain related-party fees and allocations. During the third quarter of 2015, the outstanding principal balance of €1,640.5 million under the Liberty Global Europe Holding Receivable was non-cash settled against the Liberty Global Europe Note, as defined and described below. Cash advances on the Liberty Global Europe Holding Receivable were included as a component of related-party receipts (payments), net, within financing activities in our consolidated statement of cash flows.

2013 UPC Broadband Loan Receivable

During the third quarter of 2013, UPC International entered into a loan receivable from UPC Broadband Holding (the **2013 UPC Broadband Loan Receivable**), which was settled during 2014, and bore interest at 5.81%. The activity of the 2013 UPC Broadband Loan Receivable during 2014 includes (i) cash advances of €41.7 million, (ii) a non-cash settlement of €7.8 million and (iii) the transfer of €0.3 million in non-cash accrued interest to the loan receivable balance. During the fourth quarter of 2014, the outstanding balance of €54.3 million was converted to equity, resulting in a €54.3 million decrease to noncontrolling interests in our consolidated statement of owners' equity.

Related-party Debt

Liberty Global Europe Note

In July 2015, Old Ziggo issued a note payable to Liberty Global Europe (the **Liberty Global Europe Note**). Prior to the closing of the JV Transaction, the then outstanding balance on the Liberty Global Europe Note was converted to equity. The Liberty Global Europe Note had a fixed interest rate of 4.48%. Accrued interest was included in other long-term liabilities until it was transferred to the loan balance on January 1 of each year. As of December 31, 2015, accrued interest on the Liberty Global Europe Note was €53.9 million. The net decrease in the principal balance during 2016 relates to (i) €3,398.1 million of cash payments, (ii) €2,950.5 million of cash receipts, (iii) a decrease of €2,357.4 million that was converted to equity in advance of the closing of the JV Transaction, (iv) an increase of €429.6 million related to the transfer of a portion of the principal balance of the Liberty Global Broadband Note, (v) an increase of €361.6 million resulting from the settlement of certain related-party charges and allocations, (vi) a non-cash decrease of €100.0 million in connection with the unwinding of a term loan receivable from a third-party lender (as further described in note 11), (vii) a non-cash increase of €53.9 million resulting from the transfer of accrued interest, (viii) a non-cash increase of €33.4 million related to the assignment of a loan between Ziggo Sport and Liberty Global Europe to Old Ziggo, (ix) a non-cash increase of €25.0 million in connection with the purchase of a term loan receivable from a third-party lender (as further described in note 11) and (x) an increase of €6.9 million related to other cash and non-cash settlements. The net increase in the principal balance during 2015 includes (a) an increase of €3,926.0 million related to a transfer of principal from the Liberty Global Broadband Note, (b) a decrease of €1,640.5 million related to a non-cash settlement against the Liberty Global Europe Holding Receivable, (c) a net decrease €290.5 million related to cash payments and (d) a decrease of €0.4 million related to other non-cash settlements. During 2016 and 2015, none of the debt repayments were payments of interest.

Liberty Global Broadband Note

During 2014, Old Ziggo issued a note payable to Liberty Global Broadband Limited (the **Liberty Global Broadband Note**). On December 31, 2016, and in connection with the closing of the JV Transaction, the Liberty Global Broadband Note was amended and restated. As a result, the Liberty Global Broadband Note now matures on January 16, 2027 and has a fixed interest rate of 5.55%. Interest will (i) be payable on the last day of each month and on the date of each full or partial repayment of the outstanding principal, (ii) accrue and be transferred to the principal balance of the loan on January 1 of each year or (iii) be payable in any other manner as agreed upon between VodafoneZiggo and Liberty Global. Prior to the closing of the JV Transaction, the Liberty Global Broadband Note had a fixed interest rate of 5.13%. As of December 31, 2015, accrued interest on the Liberty Global Broadband Note was €167.8 million. The net decrease in the principal balance during 2016 includes (i) a non-cash decrease of €429.6 million related to the transfer of a portion of the principal balance of the Liberty Global Broadband Note to the Liberty Global Europe Note, (ii) a non-cash increase of €237.9 million resulting from the transfer of accrued interest, (iii) a non-cash increase of €75.0 million in connection with the purchase a term loan receivable from a third-party lender (as further described in note 11), and (iv) a non-cash decrease aggregating €6.2 million. The net decrease in the principal balance during 2015 includes (a) a decrease of €3,926.0 million related to a non-cash transfer of principal to the Liberty Global Europe Note, (b) a decrease of €207.2 million related to non-cash settlements, (c) a decrease of €172.5 million representing the then fair value of certain derivative instruments that were novated to us from UPC Broadband Holding and (d) an increase of €30.9 million resulting from the transfer of accrued interest. The net increase in the principal balance during 2014 includes (1) a non-cash increase of €3,936.1 million related to the Ziggo Acquisition, as further described in note 5, (2) cash advances of €1,050.9 million, (3) a non-cash increase of

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€553.3 million related to the Ziggo NCI Acquisition, (4) repayments of €355.0 million, (5) a non-cash increase of €191.9 million related to the acquisition of Ziggo Holding shares from a Liberty Global subsidiary outside of Old Ziggo prior to the Ziggo Acquisition and (6) other non-cash increases aggregating €20.5 million, primarily related to settlement of accrued interest on other related-party payables. During 2016 and 2015, none of the debt repayments were payments of interest.

Vodafone Note

In connection with the closing of the JV Transaction, and upon Vodafone NL becoming a subsidiary of VodafoneZiggo, we assumed a €1.0 billion note payable to a subsidiary of Vodafone (the **Vodafone Note**). The Vodafone Note matures on January 16, 2027 and has a fixed interest rate of 5.55%. Interest will (i) be payable on the last day of each month and on the date of each full or partial repayment of the outstanding principal, (ii) accrue and be transferred to the principal balance of the loan on January 1 of each year or (iii) be payable in any other manner as agreed upon between VodafoneZiggo and Liberty Global.

Liberty Global CM B.V. Note

Prior to 2014, Ziggo Sport had a note payable to Liberty Global CM B.V. (the **Liberty Global CM B.V. Note**). During October 2015, the then outstanding balance on the Liberty Global CM B.V. Note of €98.1 million was converted to equity. The Liberty Global CM B.V. Note had a fixed interest rate of 8.83%. The net increase in the principal balance during 2014 comprises increases of (i) €45.3 million associated with a distribution to Liberty Global CM B.V. and (ii) €3.4 million of other non-cash activity.

Liberty Global Services Note

In December 2011, in connection with transactions whereby we converted net operating losses into additional tax basis in network assets (the **Network Transfer**), we issued a note payable to Liberty Global Services (the **Liberty Global Services Note**). In addition, in connection with the Network Transfer, UPC Western Europe issued to our company the UPC Western Europe Loan Receivable. The original principal balance of the Liberty Global Services Note and the UPC Western Europe Loan Receivable were equivalent and, therefore, no cash was exchanged between the related parties involved in the transaction. The Liberty Global Services Note bore interest at 7.72%.

During the first quarter of 2015, and in connection with the Ziggo Services Transfer and the HoldCo VI Transfer, €881.5 million of the outstanding principal under the Liberty Global Services Note was settled against the UPC Western Europe Loan Receivable. In addition, the remaining outstanding principal and interest of €120.8 million was converted to equity. This conversion resulted in an increase to parent's equity in our 2015 consolidated statement of owners' equity. The decrease in the principal balance during 2014 relates to a €102.5 million non-cash settlement of principal against amounts outstanding pursuant to the UPC Western Europe Loan Receivable.

2012 Liberty Global Europe Note

On March 16, 2012, UPC Equipment entered into a loan agreement with Liberty Global Europe (the **2012 Liberty Global Europe Note**). As further described in note 1, we no longer consolidate UPC Equipment subsequent to December 31, 2014. As a result, effective January 1, 2015, the 2012 Liberty Global Europe Note is no longer included in our consolidated financial statements. The 2012 Liberty Global Europe Note bore interest at 9.29%. The net increase in the principal balance during 2014 includes (i) cash borrowings of €34.4 million, (ii) the transfer of €2.4 million in non-cash accrued interest to the loan balance and (iii) cash payments of €0.1 million. During 2014, none of the debt repayments were payments of interest.

Unitymedia Hessen Note

On August 2, 2013, UMI entered into a loan agreement with Unitymedia Hessen (the **Unitymedia Hessen Note**). As further described in note 1, we no longer consolidate UMI subsequent to December 31, 2014. As a result, effective January 1, 2015, the Unitymedia Hessen Note is no longer included in our consolidated financial statements. The Unitymedia Hessen Note bore interest at 2.47%. The net decrease in the principal balance during 2014 includes (i) cash payments of €38.6 million, (ii) cash borrowings of €33.0 million and (iii) the transfer of €0.1 million in non-cash accrued interest to the loan balance. During 2014, none of the debt repayments were payments of interest.

Other

During 2014, we distributed to Liberty Global CMB.V. €45.3 million, which is reflected as a decrease in our 2014 consolidated statement of owners' equity.

	Employee severance and termination	Office closures	Contract termination and other	Total
	in millions			
Predecessor:				
Restructuring liability as of January 1, 2016.....	€ 46.4	€ (0.9)	€ 0.4	€ 45.9
Restructuring charges (a).....	9.8	0.9	—	10.7
Cash paid	(31.3)	(0.4)	—	(31.7)
Other	0.8	0.9	(0.4)	1.3
Restructuring liability as of December 31, 2016 prior to the closing of the JV Transaction.....	€ 25.7	€ 0.5	€ —	€ 26.2
Successor:				
Restructuring liability as of December 31, 2016 after the closing of the JV Transaction.....	€ 30.7	€ 0.5	€ —	€ 31.2
Current portion	€ 26.4	€ 0.5	€ —	€ 26.9
Noncurrent portion	4.3	—	—	4.3
Total.....	€ 30.7	€ 0.5	€ —	€ 31.2

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We expect to record further significant restructuring charges during 2017, primarily due to ongoing reorganization activities following the closing of the JV Transaction.

A summary of the changes to our restructuring liability during 2015 is set forth in the table below:

	Employee severance and termination	Office closures	Contract termination and other	Total
	in millions			
Predecessor:				
Restructuring liability as of January 1, 2015	€ 12.2	€ —	€ —	€ 12.2
Restructuring charges	56.4	(0.4)	0.5	56.5
Cash paid	(25.8)	(1.0)	(0.1)	(26.9)
Other	3.6	0.5	—	4.1
Restructuring liability as of December 31, 2015	<u>€ 46.4</u>	<u>€ (0.9)</u>	<u>€ 0.4</u>	<u>€ 45.9</u>
Current portion	€ 42.0	€ (0.9)	€ 0.4	€ 41.5
Noncurrent portion	4.4	—	—	4.4
Total	<u>€ 46.4</u>	<u>€ (0.9)</u>	<u>€ 0.4</u>	<u>€ 45.9</u>

(a) Restructuring charges primarily relate to certain reorganization and integration activities following the Ziggo Acquisition.

A summary of the changes to our restructuring liability during 2014 is set forth in the table below:

	Employee severance and termination
	in millions
Predecessor:	
Restructuring liability as of January 1, 2014.....	€ 4.4
Restructuring charges.....	9.1
Cash paid.....	(7.9)
Other	6.6
Restructuring liability as of December 31, 2014.....	<u>€ 12.2</u>

(a) Restructuring charges primarily relate to certain reorganization and integration activities in advance of the Ziggo Acquisition.

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(15) Commitments and Contingencies

Commitments

As further described in note 4, we have commitments related to the JV Service Agreements. Additionally, in the normal course of business, we have entered into agreements that commit our company to make cash payments in future periods with respect to programming contracts, purchases of customer premises and other equipment, network and connectivity commitments and non-cancellable operating leases, and other commitment. The following table sets forth these commitments as of December 31, 2016:

	Payments due during:						Total
	2017	2018	2019	2020	2021	Thereafter	
	in millions						
JV Services Agreement (a).....	€ 216.7	€ 165.2	€ 140.1	€ 130.2	€ 104.2	€ 194.2	€ 950.6
Programming commitments	86.3	64.7	55.4	40.9	10.1	—	257.4
Purchase commitments.....	238.1	4.6	3.1	1.5	1.6	2.1	251.0
Network and connectivity commitments....	29.3	26.9	23.3	19.8	16.3	67.0	182.6
Operating leases	24.1	33.8	22.6	15.4	11.1	10.7	117.7
Other commitments	13.4	14.3	9.3	3.9	2.5	1.2	44.6
Total (b).....	<u>€ 607.9</u>	<u>€ 309.5</u>	<u>€ 253.8</u>	<u>€ 211.7</u>	<u>€ 145.8</u>	<u>€ 275.2</u>	<u>€ 1,803.9</u>

- (a) Amounts represent fixed minimum charges from Liberty Global and Vodafone pursuant to the JV Service Agreements. In addition to the fixed minimum charges, the JV Service Agreements provide for certain JV Services to be charged to us based upon usage of the services received. The fixed minimum charges set forth in the table above exclude fees for the usage-based services as these fees will vary from period to period. Accordingly, we expect to incur charges in addition to those set forth in the table above for usage-based services. For additional information regarding fees related to the JV Service Agreements, see note 4.
- (b) The commitments included in this table do not reflect any liabilities that are included in our December 31, 2016 consolidated balance sheet.

Programming commitments consist of obligations associated with certain of our programming 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 or (ii) whether we terminate service to a portion of our subscribers or dispose of a portion of our distribution systems. In addition, programming commitments do not include increases in future periods associated with contractual inflation or other price adjustments that are not fixed. Accordingly, the amounts reflected in the above table with respect to these contracts are significantly less than the amounts we expect to pay in these periods under these contracts. Historically, payments to programming vendors have represented a significant portion of our operating costs, and we expect that this will continue to be the case in future periods. In this regard, during 2016, 2015 and 2014, the programming and copyright costs incurred by our operations aggregated €350.1 million, €319.7 million and €159.7 million, respectively.

Purchase commitments include unconditional and legally binding obligations related to the purchase of customer premises and other equipment.

Network and connectivity commitments include commitments associated with (i) fiber leasing and (ii) certain operating costs associated with our leased networks.

Other commitments primarily include sponsorships, certain fixed minimum contractual commitments associated with our agreements with municipal authorities and network and connectivity commitments.

In addition to the commitments set forth in the table above, we have commitments under (i) derivative instruments and (ii) multiemployer defined benefit plans, 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 2015, see note 8.

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We have established multiemployer benefit plans for our subsidiaries' employees. The aggregate expense of our matching contributions under the multiemployer benefit plans was €26.2 million, €28.7 million and €14.4 million during 2016, 2015 and 2014, respectively.

Rental expense under non-cancellable operating lease arrangements amounted to €16.6 million, €24.1 million and €14.1 million during 2016, 2015 and 2014, respectively. It is expected that in the normal course of business, operating leases that expire generally will be renewed or replaced by similar leases.

Guarantees and Other Credit Enhancements

In the ordinary course of business, we may provide (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

Other Regulatory Issues. Video distribution, broadband internet, fixed-line telephony, mobile and content businesses are subject to significant regulation and supervision by various regulatory bodies in the Netherlands, including Dutch and European Union 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 and equipment additions. In addition, regulation may restrict our operations and subject them to further competitive pressure, including pricing restrictions, interconnect and other access obligations, and restrictions or controls on content, including content provided by third parties. Failure to comply with current or future regulation could expose our businesses to various penalties.

In addition to the foregoing items, we have contingent liabilities related to matters arising in the ordinary course of business including (i) legal proceedings, (ii) issues involving VAT and wage, property 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.

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(16) Segment Reporting

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

Our revenue by major category is set forth below:

	Predecessor		
	Year ended December 31,		
	2016	2015 (a)	2014 (a)
	in millions		
Subscription revenue (b):			
Video	€ 1,093.1	€ 1,065.9	€ 550.2
Broadband internet	676.2	703.7	266.9
Fixed-line telephony.....	428.9	474.0	221.2
Cable subscription revenue	2,198.2	2,243.6	1,038.3
Mobile subscription revenue (c).....	31.4	28.1	2.8
Total subscription revenue.....	2,229.6	2,271.7	1,041.1
B2B revenue (d).....	161.9	162.8	71.8
Other revenue (c) (e).....	55.3	52.4	64.0
Total.....	€ 2,446.8	€ 2,486.9	€ 1,176.9

(a) As retrospectively revised – see note 1.

(b) 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.

(c) Mobile subscription revenue excludes mobile interconnect revenue of €3.7 million, €2.9 million and €0.3 million during 2016, 2015 and 2014, respectively. Mobile interconnect revenue is included in other revenue.

(d) 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 €93.4 million, €76.6 million and €31.6 million during 2016, 2015 and 2014, respectively.

(e) Other revenue includes, among other items, programming, interconnect, installation and late fee revenue.

(17) Subsequent Events

During the first quarter of 2017, VodafoneZiggo entered into a new \$2,525.0 million (€2,394.0 million) term loan facility (**Facility E**) and a new €2,250.0 million term loan facility (**Facility F**). The Facility E was issued at 99.75% of par and the Facility F was issued at par and both mature in April 2025. Facility E bears interest at a rate of LIBOR + 2.50% and is subject to a LIBOR floor of 0.0% and Facility F bears interest at a rate of EURIBOR + 3.00% and is subject to a EURIBOR floor of 0.0%. The net proceeds from Ziggo Facilities E and F, in conjunction with existing cash, were used to repay in full the outstanding principal amounts under the Dollar Facility, Facility C and Facility D.