

VodafoneZiggo Reports Preliminary Q3 2017 Results

Fixed Returns to Growth, Mobile Still Challenging; Guidance Raised

Utrecht, the Netherlands — November 1, 2017: VodafoneZiggo Group B.V. ("VodafoneZiggo")^(a), a leading Dutch company that provides fixed, mobile and integrated communication and entertainment services to consumers and businesses, is today providing select, preliminary unaudited financial and operating information for the three months ended ("Q3") and the nine months ended ("YTD") September 30, 2017, as compared to the pro forma¹ results for the same periods in the prior year (unless otherwise noted). The financial and operating information contained herein is preliminary and subject to change. We expect to issue the September 30, 2017 unaudited condensed consolidated financial statements prior to the end of November 2017, at which time the report will be posted to our website.

VodafoneZiggo highlights for Q3 2017:

- 780,000 of our 3.9 million fixed-line customers are now converged (an increase of 144,000 in Q3), with these households now using a total of 1.2 million mobile SIMs. The rapid adoption of converged benefits by our customers is contributing to a higher Net Promoter Score ("NPS") and a significant reduction in both fixed and mobile churn²
- Total revenue³ declined by 5% on a pro forma basis in Q3 to €999 million, with a 14% reduction in mobile revenue slightly offset by 1% growth in total cable revenue. Regulatory headwinds in mobile dragged revenue by €27 million in Q3
- The return to revenue growth in fixed was driven by ARPU⁴ improvements and RGU⁵ growth with net additions of 10,000 RGU's in Q3, as compared to a loss of 11,000 in Q3 2016; however mobile remains challenging with significant ARPU pressure
- Operating income decreased 20% to €84 million in Q3, compared on a pro forma basis with Q3 2016
- Q3 Operating Cash Flow ("OCF")⁶ declined by 4% on a pro forma basis to €447 million as lower revenue was partially offset by reduced mobile handset subsidies, following changes to consumer credit regulation in May 2017, and lower indirect costs
- 2017 guidance⁷ upgraded: OCF raised to ~€1.70 billion (from ~€1.65 billion), property and equipment additions⁸ between 19% and 21% as a percentage of our revenue (from low twenties) and total expected cash returns⁹ to our shareholders of at least €750 million (previously at least €500 million)

Jeroen Hoencamp, VodafoneZiggo CEO, commented:

"The business stabilized in sequential terms during the third quarter, supported by an improving fixed cable performance, despite continued intense competition and increased regulatory pressures in mobile. Our customers continue to adopt our converged propositions at a rapid pace, with 24% of our broadband base and 58% of Vodafone branded customers in our consumer segment already enjoying the benefits of our 'Non-stop Gratis' offers. Commercially, we won three large tenders to provide mobile and fixed-line services for the majority of Dutch government functions. The merger integration process is going well and we made several key decisions during the quarter, including the choice of Hoog Catharijne in the heart of Utrecht as the location for our new integrated central office in 2018. Overall, our Q3 performance gives us increased confidence in the 2017 full-year outlook, allowing us to increase our OCF guidance and the expected cash returns to our shareholders."

Consumer performance for Q3 2017:

On a pro forma basis, total consumer revenue declined 4% in Q3 and declined 3% YTD.

Fixed:

Consumer cable revenue¹⁰ remained stable in Q3 on a pro forma basis, with price-led ARPU improvements offset by modest RGU losses in our basic video customer base:

- Fixed consumer RGUs declined 7,000 (-23,000 in Q3 2016), a strong year-on-year improvement, reflecting higher gross additions and lower churn
 - We added 13,000 broadband RGUs and 3,000 fixed-line telephony subscribers, supported by our converged offers and the launch of our Ziggo Power Promise WiFi campaign
 - We continued to invest in the customer experience and, as a result, have increased internet speeds for our mid and high tier bundles for new and existing customers by 33% to a maximum of 400Mbps as of October
 - Video attrition continued to improve year-on-year (2,000 fewer RGU losses), supported by our investments in strategic content like Ziggo Sport and HBO, and innovative product features like Replay TV and Ziggo GO
 - Q3 consumer cable ARPU⁴ increased 3% year-over-year on a pro forma basis to €47 partly driven by our July 2017 price increase
- Ziggo Mediabox XL (formerly known as Horizon TV) net additions were 51,000 in Q3, increasing our next-generation TV subscribers to 1.2 million, or 30% of our total video base

Mobile:

Consumer mobile revenue¹¹ declined by 12% in Q3 on a pro forma basis, reflecting aggressive competition and increased regulatory headwinds, which impacted our roaming and interconnect revenue:

- The €29 million decline in Q3 includes (i) a €12 million decline from lower roaming revenue (reflecting new EU regulation as of June), (ii) an €8 million decline from lower subscription revenue due to higher SIM-only mix (resulting from new consumer credit regulation) and the impact of a €5 per month convergence discount and (iii) a €6 million decline from lower interconnect revenue following a reduction in Mobile Termination Rates ("MTRs"), which took effect as of July 2017
- Our converged offers helped to drive 35,000 net additions in our Vodafone branded segment (which represents over 70% of our total postpaid consumer base) in Q3. However, overall we had a net loss of 1,000 postpaid subscribers, primarily due to the discontinuation of 15,000 non-revenue generating secondary SIMs mainly as part of the migration of former Ziggo Mobile subscribers to Vodafone
- Our Q3 mobile consumer postpaid ARPU⁴ decreased 12% year-on-year on a pro forma basis to €24 reflecting the impact of increased price competition and regulation
- Mobile data usage continued to grow strongly, up 82% year-on-year, with average usage per postpaid smartphone customer increasing to 2.2GB per month

Business performance for Q3 2017:

Total B2B revenue decreased on a pro forma basis by 10% in Q3 and declined 6% YTD.

Fixed:

B2B cable revenue¹² increased 4% in Q3 on a pro forma basis, driven by growth within our small office/home office ("SOHO") and Small Medium Enterprise ("SME") segment, which was partly offset by a decline in telephony usage:

- We added 16,000 fixed SOHO RGUs, including 7,000 SOHO broadband and 7,000 SOHO video subscribers during Q3. This performance was driven by our successful converged offers and by our efforts to up-sell customers who were previously using consumer propositions
- Q3 SOHO cable ARPU⁴ decreased 2% year-on-year on a pro forma basis to €62

Mobile:

B2B mobile revenue¹³ decreased by 17% in Q3 on a pro forma basis:

- The €31 million decline in Q3 includes (i) a €13 million decline due to the combined effect of SOHO customers selecting lower-priced (residential) plans and pricing pressure at our medium and large enterprise customers, (ii) an €8 million decline due to lower roaming revenue following new EU regulation as well as lower roaming rates outside of Europe and (iii) a €4 million decline due to lower out-of-bundle usage, as a result of higher data bundles in our RED price plans including the 'double data' proposition offered as part of our converged benefits
- Our B2B mobile postpaid customer base remained stable despite pricing pressure in our Large Enterprise Segment
- Q3 mobile B2B postpaid ARPU decreased 19% year-on-year on a pro forma basis to €26
 - We expect the trend of SOHO customers optimizing their spend to continue in the near term
- We recently won three large government tenders, which will enable us to continue to offer mobile services to the majority of the Dutch government. From the start of 2018, we will offer toll free and premium rate fixed-line telephony (0800/0900) services to several large government organizations including the 'Cadastre, Land Registry and Mapping Agency', 'Central Government Information Desk' and the 'Dutch Tax Authorities', and will also begin offering fixed-line services to more than 200 Dutch municipalities
- Our narrowband Internet-of-Things ("IoT") capability has now reached nationwide coverage, enabling us to offer our customers further ways to optimize or transform their businesses by using our leading IoT products and services

Financial highlights for Q3 2017^(b):

Our revenue, operating income and OCF declined on a pro forma basis in Q3 and YTD. However, on a sequential basis revenue stabilized and operating income and OCF improved:

- On a pro forma basis, revenue declined 5% in Q3 and 4% YTD to €999 million and €3,014 million, respectively
- Operating income declined on a pro forma basis in Q3 to €84 million and decreased 19% YTD to €184 million. These declines were primarily due to the lower OCF performance as described below

- OCF declined 4% on a pro forma basis in both Q3 and YTD to €447 million and €1,306 million, respectively
 - This contraction was primarily driven by the revenue declines detailed above, which were partially offset by (i) lower handset subsidies as a result of stricter consumer credit regulation, which increased the proportion of SIM-only sales in both periods and (ii) lower indirect expenses as a result of our cost control program
 - Integration expenses were €15 million YTD and we expect to continue to accelerate our integration efforts in Q4
 - Property and equipment additions were 17% of revenue for Q3 and 19% YTD
 - Q3 expenditures were higher than the prior year period, primarily due to a higher number of Connect Box WiFi modem deployments to enhance the customer experience
 - Our YTD spend was lower compared with the corresponding period in 2016 primarily due to lower capacity related spend following higher mobile network investments in the prior-year period to enhance our countrywide 4G coverage
 - At September 30, 2017, our fully-swapped third-party debt borrowing cost¹⁴ was 4.5% and the average tenor of our third-party debt (excluding vendor financing) was 8 years
 - At September 30, 2017, total third-party debt (excluding vendor financing) was €9.7 billion, down from €9.9 billion at June 30, 2017. When taking into consideration the projected principal-related cash flows associated with our cross-currency derivative instruments, the total covenant amount of third-party gross debt¹⁵ was €9.7 billion at September 30, 2017, which was unchanged from June 30, 2017
 - During the quarter, we paid aggregate interest and dividends to our shareholders of €28 million and €130 million, respectively. For the nine months ended September 30, 2017, we paid combined interest and dividends to our shareholders of €526 million, including a €152 million distribution related to a VAT refund in Q1 2017
 - Based on our results for the nine months ended September 30, 2017, and subject to the completion of our corresponding compliance reporting requirements, (i) the ratio of Senior Net Debt to Annualized EBITDA (last two quarters annualized) was 3.55x and (ii) the ratio of Total Net Debt to Annualized EBITDA (last two quarters annualized) was 4.54x, each as calculated in accordance with our most restrictive covenants
 - At September 30, 2017, we had maximum undrawn commitments of €800 million. When our Q3 compliance reporting requirements have been completed and assuming no changes from September 30, 2017 borrowing levels, we anticipate the full amount of our unused commitments will be available to be drawn
- a. VodafoneZiggo is a wholly-owned subsidiary of VodafoneZiggo Group Holding B.V. ("VodafoneZiggo JV"), a 50:50 joint venture between Vodafone Group Plc ("Vodafone") and Liberty Global plc ("Liberty Global") that was formed on December 31, 2016 when Liberty Global and Vodafone contributed their respective cable and mobile operations in the Netherlands to the VodafoneZiggo JV (the "JV Transaction"). As the entity contributed to the VodafoneZiggo JV by Liberty Global is considered to be the predecessor of VodafoneZiggo for financial reporting purposes, the historical consolidated financial statements for VodafoneZiggo do not include Vodafone's mobile operations for periods prior to December 31, 2016. In order to provide meaningful comparisons, the preliminary financial and operating information presented herein for the 2016 periods are presented on a pro forma basis that gives effect to, among other items, the inclusion of the financial and operating information of Vodafone Libertel B.V., excluding Vodafone Thuis ("Vodafone NL"). For additional information regarding the JV Transaction and the pro forma adjustments applied to the 2016 periods, see note 1.
- b. The financial figures contained in this release are prepared in accordance with U.S. GAAP¹⁶.

Operating Statistics Summary

	As of and for the three months ended September 30,	
	2017	2016
Footprint		
Homes Passed ¹⁷	7,133,100	7,070,000
Two-way Homes Passed ¹⁸	7,122,100	7,056,200
Subscribers (RGUs)⁵		
Basic Video ¹⁹	567,000	703,500
Enhanced Video ²⁰	3,351,100	3,289,000
Total Video	3,918,100	3,992,500
Internet ²¹	3,217,300	3,132,700
Telephony ²²	2,549,700	2,524,100
Total RGUs	9,685,100	9,649,300
Q3 Organic RGU Net Additions (Losses)		
Basic Video	(25,500)	(16,700)
Enhanced Video	10,100	(2,500)
Total Video	(15,400)	(19,200)
Internet	20,100	14,300
Telephony	4,900	(6,400)
Total organic RGU net additions (losses)	9,600	(11,300)
Penetration		
Enhanced Video Subscribers as a % of Total Video Subscribers ²³	85.5%	82.4%
Internet as a % of Two-way Homes Passed ²⁴	45.2%	44.4%
Telephony as a % of Two-way Homes Passed ²⁴	35.8%	35.8%
Fixed Customer Relationships		
Fixed Customer Relationships ²⁵	3,921,400	4,013,100
RGUs per Fixed Customer Relationship	2.47	2.40
Q3 Monthly ARPU per Fixed Customer Relationship ⁴	€ 47	€ 46
Fixed Customer Bundling		
Single-Play	17.7%	21.4%
Double-Play	17.6%	16.8%
Triple-Play	64.7%	61.8%
Mobile SIMs (pro forma for 2016)²⁶		
Postpaid	4,061,600	4,073,000
Prepaid	904,600	1,133,400
Total Mobile	4,966,200	5,206,400
Q3 organic Postpaid net additions (losses)	(1,400)	13,400
Q3 organic Prepaid net losses	(59,600)	(51,200)
Total organic Mobile net losses	(61,000)	(37,800)
Q3 Monthly Mobile ARPU⁴		
Postpaid (including interconnect revenue)	€ 25	€ 30
Prepaid (including interconnect revenue)	€ 4	€ 4

Financial Results, OCF Reconciliation & Property and Equipment Additions

The following table reflects preliminary unaudited selected financial results for the three and nine months ended September 30, 2017, as compared to the pro forma results for the three and nine months ended September 30, 2016.

	Three months ended September 30,			Nine months ended September 30,		
	2017	2016	Change	2017	2016	Change
	Pro Forma ¹			Pro Forma ¹		
in millions, except % amounts						
Total revenue ³						
Consumer cable revenue¹⁰						
Subscription revenue	€ 528.3	€ 527.6	0.1%	€ 1,566.6	€ 1,576.9	(0.7%)
Non-subscription revenue	4.8	6.1	(21.3%)	18.4	18.8	(2.1%)
Total consumer cable revenue	533.1	533.7	(0.1%)	1,585.0	1,595.7	(0.7%)
Consumer mobile revenue¹¹						
Service revenue	187.1	210.2	(11.0%)	568.7	619.4	(8.2%)
Non-service revenue	29.3	34.6	(15.3%)	94.5	100.1	(5.6%)
Total consumer mobile revenue	216.4	244.8	(11.6%)	663.2	719.5	(7.8%)
Total consumer revenue	749.5	778.5	(3.7%)	2,248.2	2,315.2	(2.9%)
B2B cable revenue¹²						
Subscription revenue	86.7	80.1	8.2%	250.1	236.9	5.6%
Non-subscription revenue	5.5	8.4	(34.5%)	18.6	20.5	(9.3%)
Total B2B cable revenue	92.2	88.5	4.2%	268.7	257.4	4.4%
B2B mobile revenue¹³						
Service revenue	131.8	158.2	(16.7%)	404.1	461.5	(12.4%)
Non-service revenue	13.7	18.0	(23.9%)	56.6	60.3	(6.1%)
Total B2B mobile revenue	145.5	176.2	(17.4%)	460.7	521.8	(11.7%)
Total B2B revenue	237.7	264.7	(10.2%)	729.4	779.2	(6.4%)
Other revenue ²⁷	12.0	11.0	9.1%	36.4	34.6	5.2%
Total revenue	€ 999.2	€ 1,054.2	(5.2%)	€ 3,014.0	€ 3,129.0	(3.7%)
OCF	€ 446.7	€ 463.5	(3.6%)	€ 1,306.2	€ 1,353.3	(3.5%)
OCF as a percentage of revenue	44.7%	44.0%		43.3%	43.3%	
Operating income as a percentage of revenue	8.4%	10.0%		6.1%	7.3%	
OCF Reconciliation						
Operating income	€ 84.3	€ 105.9		€ 183.6	€ 227.8	
Share-based compensation expense	0.9	2.5		5.1	8.1	
Depreciation and amortization ^(a)	363.7	355.7		1,117.0	1,110.7	
Impairment, restructuring and other operating items, net	(2.2)	(0.6)		0.5	6.7	
OCF	€ 446.7	€ 463.5		€ 1,306.2	€ 1,353.3	

(a) The pro forma depreciation and amortization amounts for the 2016 periods are based on the fair values and estimated useful lives assigned to our long-lived assets in the preliminary acquisition accounting and do not provide for the impacts of property and equipment additions or retirements during the applicable 2016 periods.

The table below highlights the categories of our property and equipment additions²⁸ for the indicated periods and, for the 2017 periods, reconciles those additions to the capital expenditures that we present in our condensed consolidated statements of cash flows:

	Three months ended September 30,		Nine months ended September 30,	
	Pro Forma ¹		Pro Forma ¹	
	2017	2016	2017	2016
Customer premises equipment	€ 68.3	€ 57.5	€ 210.9	€ 201.3
New build and upgrade	19.6	14.4	56.1	43.5
Capacity	42.8	45.1	176.6	212.8
Baseline	36.0	43.6	126.7	129.6
Product and enablers	5.7	4.7	12.6	15.4
Property and equipment additions	172.4	€ 165.3	582.9	€ 602.6
Assets acquired under capital-related vendor financing arrangements (a)	(91.0)		(234.9)	
Changes in liabilities related to capital expenditures (a)	15.7		10.6	
Total capital expenditures (a) ²⁹	€ 97.1		€ 358.6	
Property and equipment additions as a percentage of revenue	17.3%	15.7%	19.3%	19.3%

(a) Amounts intentionally omitted for the 2016 periods.

Third-Party Debt and Cash

The following table details the borrowing currency and euro equivalent of the nominal amount outstanding of VodafoneZiggo's consolidated third-party debt and cash (in millions).

	September 30, 2017		June 30, 2017	
	Borrowing currency		€ equivalent	
Senior Credit Facilities				
Term Loan E (LIBOR + 2.50%) USD due 2025	\$	2,525.0	€ 2,139.3	€ 2,212.4
Term Loan F (EURIBOR + 3.00%) EUR due 2025	€	2,250.0	2,250.0	2,250.0
5.50% USD Senior Secured Proceeds Loan due 2027	\$	2,000.0	1,694.5	1,752.4
3.75% EUR Senior Secured Proceeds Loan due 2025	€	800.0	800.0	800.0
4.625% EUR Senior Proceeds Loan due 2025	€	400.0	400.0	400.0
5.875% USD Senior Proceeds Loan due 2025	\$	400.0	338.9	350.5
4.25% EUR Senior Proceeds Loan due 2027	€	775.0	775.0	775.0
6.00% USD Senior Proceeds Loan due 2027	\$	625.0	529.5	547.6
€800.0 million Ziggo Revolving Facilities EUR due 2022			—	—
Elimination of the Proceeds Loans in consolidation			(4,537.9)	(4,625.5)
Total Senior Credit Facilities			4,389.3	4,462.4
Senior Secured Notes				
3.625% EUR Senior Secured Notes due 2020	€	71.7	71.7	71.7
3.75% EUR Senior Secured Notes due 2025	€	800.0	800.0	800.0
4.25% EUR Senior Secured Notes due 2027	€	775.0	775.0	775.0
5.50% USD Senior Secured Notes due 2027	\$	2,000.0	1,694.5	1,752.4
Total Senior Secured Notes			3,341.2	3,399.1
Senior Notes				
7.125% EUR Senior Notes due 2024	€	743.1	743.1	743.1
4.625% EUR Senior Notes due 2025	€	400.0	400.0	400.0
5.875% USD Senior Notes due 2025	\$	400.0	338.9	350.5
6.00% USD Senior Notes due 2027	\$	625.0	529.5	547.6
Total Senior Notes			2,011.5	2,041.2
Vendor financing			625.5	468.1
Total third-party debt			10,367.5	10,370.8
Unamortized premiums, discounts and deferred financing costs, net			63.8	64.9
Total carrying amount of third-party debt			10,431.3	10,435.7
Less: cash			391.8	340.1
Net carrying amount of third-party debt³⁰			€ 10,039.5	€ 10,095.6
Exchange rate (\$ to €)			1.1803	1.1413

Covenant Debt Information

The following table details the euro equivalent of the reconciliation from VodafoneZiggo's consolidated third-party debt to the total covenant amount of third-party gross and net debt¹⁵ and includes information regarding the projected principal-related cash flows of our cross-currency swap contracts. The euro equivalents presented below are based on exchange rates that were in effect as of September 30, 2017 and June 30, 2017. These amounts are presented for illustrative purposes only and will likely differ from the actual cash receipts in future periods.

	September 30, 2017	June 30, 2017
	in millions	
Total third-party debt (€ equivalent)	€ 10,367.5	€ 10,370.8
Less:		
Vendor financing	(625.5)	(468.1)
Projected principal-related cash receipts associated with our cross-currency derivative instruments	(31.7)	(192.4)
Total covenant amount of third-party gross debt¹⁵	<u>9,710.3</u>	<u>9,710.3</u>
Less: cash	(391.8)	(340.1)
Total covenant amount of third-party net debt¹⁵	<u>€ 9,318.5</u>	<u>€ 9,370.2</u>

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About VodafoneZiggo

VodafoneZiggo is a leading Dutch company that provides fixed, mobile and integrated communication and entertainment services to consumers and businesses. As of September 30, 2017, we have 5 million mobile, nearly 4 million video, over 3 million fixed broadband internet and approximately 2.5 million fixed telephony subscribers.

Approximately 8,000 people are employed by VodafoneZiggo. Our offices are located in Amsterdam, Utrecht, Maastricht, Heerhugowaard, Leeuwarden, Groningen, Zwolle, Zutphen, Nijmegen, Helmond, Eindhoven, Rotterdam, Rijswijk and The Hague.

The VodafoneZiggo JV is a joint venture between Liberty Global, the largest international TV and broadband internet company, and Vodafone Group, one of the world's largest telecommunication companies. Liberty Global serves over 24 million customers through next-generation networks, who subscribe to over 50 million television, broadband internet and telephony services in over 30 countries. Vodafone Group has mobile operations in 26 countries, partners with mobile networks in 49 more, and fixed broadband operations in 19 markets. As of June 30, 2017, Vodafone Group had 523.5 million mobile customers and 18.5 million fixed broadband customers.

Footnotes

1. VodafoneZiggo (formerly known as Ziggo Group Holding B.V.) is a wholly-owned subsidiary of VodafoneZiggo Group Holding B.V. (the "VodafoneZiggo JV"), a 50:50 joint venture between Vodafone Group Plc ("Vodafone") and Liberty Global plc ("Liberty Global"). Prior to December 31, 2016, the predecessor of VodafoneZiggo was a wholly-owned subsidiary of Liberty Global. On December 31, 2016, Liberty Global and Vodafone completed a transaction (the "JV Transaction") whereby (i) VodafoneZiggo became a wholly-owned subsidiary of the VodafoneZiggo JV and (ii) Vodafone Libertel B.V. ("Vodafone NL"), the entity that owned Vodafone's mobile operations in the Netherlands, became a wholly-owned subsidiary of VodafoneZiggo. In connection with the closing of the JV Transaction, the VodafoneZiggo JV recorded all of its assets and liabilities at fair value. As the entity contributed to the VodafoneZiggo JV by Liberty Global is considered to be the predecessor of VodafoneZiggo for financial reporting purposes, the historical consolidated financial statements for VodafoneZiggo do not include Vodafone NL for periods prior to December 31, 2016. In order to provide meaningful comparisons, the preliminary financial and operating information presented herein for the 2016 periods is presented on a pro forma basis that gives effect to, among other items, (i) the inclusion of the financial and operating information of Vodafone NL (excluding Vodafone Thuis), (ii) the impacts of the fair value accounting applied to the opening balance sheet of VodafoneZiggo in connection with the closing of the JV Transaction, (iii) the services provided to VodafoneZiggo by Vodafone and Liberty Global pursuant to a "Framework Agreement" that was entered into in connection with the JV Transaction; (iv) the elimination of historical related-party charges from Vodafone and Liberty that will not continue in the periods following the JV Transaction, with each adjustment recorded as if the JV Transaction had occurred on January 1, 2016. Financial and operating information in this release for all periods other than the 2016 periods is presented on a historical basis unless otherwise noted. Additionally, the pro forma depreciation and amortization amounts for the 2016 periods are based on the fair values and estimated useful lives assigned to our long-lived assets in the preliminary acquisition accounting and do not provide for the impacts of property and equipment additions or retirements during the applicable 2016 periods.
2. Customer Churn represents the rate at which customers relinquish their subscriptions. The annual rolling average basis is calculated by dividing the number of disconnects during the preceding 12 months by the average number of fixed customer relationships. For the purpose of computing churn, a disconnect is deemed to have occurred if the customer no longer receives any level of service from us and is required to return our equipment. A partial product downgrade, typically used to encourage customers to pay an outstanding bill and avoid complete service disconnection is not considered to be disconnected for purposes of our churn calculations. Customers who move within our cable footprint and upgrades and downgrades between services are also excluded from the disconnect figures used in the churn calculation.
3. Beginning April 1, 2017, we changed the presentation of our revenue categories to align with VodafoneZiggo JV's internal classification of revenue. We also applied this change retroactively to the pro forma prior-year periods. Formerly, we presented revenue in the following categories: (i) subscription revenue, which included cable subscription revenue (excluding installation and late fees) and mobile service revenue (excluding, among other items, interconnect revenue, mobile handset and accessories sales, activation fees and late fees) to residential and SOHO customers; (ii) B2B revenue (excluding SOHO), which included 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; and (iii) other revenue. We now view mobile revenue as a separate major revenue category outside of cable revenue and we include SOHO revenue as part of B2B revenue within the applicable cable and mobile B2B categories. Following the change in our revenue presentation, our revenue categories are (a) consumer cable revenue, (b) consumer mobile revenue, (c) B2B cable revenue, (d) B2B mobile revenue, and (e) other revenue. See notes 10, 11, 12 and 13 for additional descriptions of the current revenue categories.
4. Average Revenue Per Unit ("ARPU") refers to the average monthly subscription or service revenue, for either fixed or mobile services, respectively, per average fixed customer relationship or mobile subscriber, as applicable. Our ARPU per fixed cable subscriber is calculated separately for our residential ("consumer cable ARPU") and SOHO ("SOHO cable ARPU") subscribers by dividing the average applicable monthly cable subscription revenue for the indicated period, by the average of the opening and closing balances for the fixed customer relationship for the period. Fixed customer relationships of entities acquired during the period are normalized. Unless otherwise indicated, ARPU per fixed customer relationship is not adjusted for currency impacts. Our ARPU per mobile subscriber is calculated separately for our consumer ("mobile consumer postpaid ARPU") and B2B ("mobile B2B postpaid ARPU") subscribers. Our ARPU per mobile subscriber calculations refer to the average monthly mobile service and interconnect revenue per average mobile subscribers in service and are calculated by dividing the average monthly mobile service revenue including interconnect revenue for the indicated period, by the average of the opening and closing balances of mobile subscribers in service for the period.
5. 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 in our market 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, or 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 September 30, 2017 RGU counts exclude our separately reported prepaid and postpaid mobile subscribers.
6. OCF is the primary measure used by our management to evaluate the operating performance of our businesses. OCF is also a key factor that is used by our management and our Supervisory Board to evaluate the effectiveness of our management for purposes of annual and other incentive compensation plans. As we use the term, OCF is defined as operating income before depreciation and amortization, share-based compensation, 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. Our internal decision maker believes OCF is a meaningful measure because it represents a transparent view of our recurring operating performance that is unaffected by our capital structure and allows management to (a) readily view operating trends, (b) perform analytical comparisons and benchmarking between entities and (c) identify strategies to improve operating performance. We believe our OCF measure is useful to investors because it is one of the bases for comparing

our performance with the performance of other companies in the same or similar industries, although our measure may not be directly comparable to similar measures used by other companies. OCF should be viewed as a measure of operating performance that is a supplement to, and not a substitute for, operating income, net earnings or loss, cash flow from operating activities and other U.S. GAAP measures of income or cash flows. A reconciliation of operating income to OCF is presented under the *Financial Results, OCF Reconciliation & Property and Equipment Additions* section of this release.

7. 2017 OCF guidance includes shareholder charges (as further described in our 2016 annual report) and integration costs. A reconciliation of our 2017 OCF guidance to a U.S. GAAP measure is not provided due to the fact that not all elements of the reconciliation are projected as part of our forecasting process, as certain items may vary significantly from one period to another. For the definition and reconciliation of OCF, see note 6.
8. Property and equipment additions include capital expenditures on an accrual basis, amounts financed under vendor financing or capital lease arrangements and other non-cash additions.
9. Expected cash returns to our shareholders includes the benefit of increased vendor financing efforts as well as other payments like interest and principal repayments on shareholder loans. Of note, this is in addition to the shareholder charges that we describe in our 2016 annual report.
10. Consumer cable revenue is classified as either subscription revenue or non-subscription revenue. Consumer cable subscription revenue includes revenue from subscribers for ongoing broadband internet, video, and voice services offered to residential customers. Consumer cable non-subscription revenue includes, among other items, installation and late fees and the sale of equipment.
11. Consumer mobile revenue is classified as either service revenue or non-service revenue. Consumer mobile service revenue includes revenue from ongoing mobile and data services offered under postpaid and prepaid arrangements to residential customers. Consumer mobile non-service revenue includes, among other items, interconnect revenue, mobile handset and accessories sales, activation fees and late fees.
12. B2B cable revenue is classified as either subscription revenue or non-subscription revenue. B2B cable subscription revenue includes revenue from business broadband internet, video, voice, and data services offered to SOHO and medium to large enterprises. B2B cable non-subscription revenue includes, among other items, revenue from hosting services, installation fees, carriage fees and interconnect.
13. B2B mobile revenue is classified as either service revenue or non-service revenue. B2B mobile service revenue includes revenue from ongoing mobile and data services offered to SOHO and medium to large enterprise customers. B2B mobile non-service revenue includes, among other items, interconnect revenue, mobile handset and accessories sales, activation fees and late fees.
14. Our fully-swapped third-party debt borrowing cost represents the weighted average interest rate on our aggregate variable- and fixed-rate indebtedness (excluding capital leases and including vendor financing obligations), including the effects of derivative instruments and commitment fees, but excluding the impact of financing costs.
15. Total covenant amount of third-party gross debt is the euro equivalent of the nominal amount outstanding of our third-party debt less (i) vendor financing and (ii) the projected principal-related cash flows associated with our cross-currency derivative instruments. These projected cash flows are presented for illustrative purposes only and will likely differ from the actual cash receipts or payments in future periods. A reconciliation of total third-party debt to total covenant amount of third-party gross and net debt is provided under the *Covenant Debt Information* section of this release.
16. Accounting principles generally accepted in the United States are referred to as U.S. GAAP.
17. 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 internally maintained databases of connected addresses, which are updated monthly. Due to the fact that we do not own the partner networks (as described below), we do not report homes passed for partner networks.
18. 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.
19. 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, 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 equivalent billing unit ("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.
20. 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 by our operations over partner networks receive basic video services from the partner networks as opposed to our operations.
21. 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.
22. 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.

23. Enhanced video penetration is calculated by dividing the number of enhanced video subscribers by the total number of basic and enhanced video subscribers.
24. Internet and telephony penetration is calculated by dividing the number of internet RGUs and telephony RGUs, respectively, by total Two-way Homes Passed.
25. Fixed 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 EBU adjustments, we reflect corresponding adjustments to our Fixed Customer Relationship counts. For further information regarding our EBU calculation, see Additional General Notes below. Fixed 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 Fixed Customer Relationships. We exclude mobile-only customers from Fixed Customer Relationships.
26. 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 (mobile broadband or secondary SIM) would be counted as two mobile subscribers. Our mobile subscriber count includes both prepaid and postpaid plans. Customers who do not pay a recurring monthly fee are excluded from our prepaid mobile telephony subscriber counts after a period of inactivity of 15 months. As of the end of Q3, we have made a non-organic adjustment to reduce the closing balance of our postpaid mobile subscribers by 22,800 primarily related to our hollandsnieuwe subscriber base.
27. Other revenue includes, among other items, programming and advertising revenue and revenue related to certain personnel services provided to Vodafone and Liberty Global.
28. Beginning January 1, 2017, we changed the categories of our property and equipment additions from the National Cable & Telecommunications Association ("NCTA") classification approach to a new categorization, which aligns to our internal categories. We also applied this change retroactively to the prior-year periods. The new categories are (i) customer premises equipment, (ii) new build and upgrade, (iii) capacity, (iv) baseline and (v) product and enablers. Customer premises equipment ("CPE") includes capitalizable equipment and labor, materials and other costs directly associated with the installation of such CPE. New build and upgrade includes capitalizable costs of network equipment, materials, labor and other costs directly associated with entering a new service area and upgrading our existing network. Capacity includes capitalizable costs for (a) network capacity required for growth, (b) central/regional head-end, hub, HFC equipment and mobile sites required to secure growth of new subscribers, RGU's and additional bandwidth revenue and (c) services expansions for both existing and new customers (e.g. video, voice, data, mobile and commercial services). This category covers core and access parts of the network and includes, for example, fiber node splits, upstream/downstream spectrum upgrades and optical equipment additions in our international backbone connections. Baseline includes capitalizable costs of equipment, materials, labor and other costs directly associated with maintaining and supporting the business. Our baseline category relates to areas such as network improvement, property and facilities, technical sites, information technology systems and fleet. Product and enablers represents discretionary capitalizable costs and includes investments required to support, maintain, launch or innovate new customer products, and in infrastructure, which drive operational efficiency over the long term.
29. The capital expenditures that we report in our condensed consolidated statements of cash flows do not include amounts that are financed under vendor financing or capital lease arrangements. Instead, these expenditures are reflected as non-cash additions to our property and equipment when the underlying assets are delivered, and as repayments of debt when the related principal is repaid.
30. Net third-party debt is not a defined term under U.S. GAAP and may not therefore be comparable with other similarly titled measures reported by other companies.

Additional General Notes:

Certain of our B2B revenue is derived from SOHO subscribers that pay a premium price to receive enhanced service levels along with video, internet or telephony services that are the same or similar to the mass marketed products offered to our residential subscribers. All mass marketed products provided to SOHOs, whether or not accompanied by enhanced service levels and/or premium prices, are included in the respective RGU and customer counts of our broadband communications operation, with only those services provided at premium prices considered to be "SOHO RGUs" or "SOHO customers." To the extent our existing customers upgrade from a residential product offering to a SOHO product offering, the number of SOHO RGUs or SOHO customers will increase, but there is no impact to our total RGU or customer counts. With the exception of our B2B SOHO subscribers, we generally do not count customers of B2B services as customers or RGUs for external reporting purposes.

Certain of our residential and commercial RGUs are counted on an EBU basis, including residential multiple dwelling units and commercial units. Our EBUs are generally calculated by dividing the bulk price charged to accounts in an area by the most prevalent price charged to non-bulk residential customers in that market for the comparable tier of service. As such, we may experience variances in our EBU counts solely as a result of changes in rates.

While we take appropriate steps to ensure that subscriber statistics are presented on a consistent and accurate basis at any given balance sheet date, the variability in (i) the nature and pricing of products and services, (ii) the distribution platform, (iii) billing systems, (iv) bad debt collection experience and (v) other factors add complexity to the subscriber counting process. We periodically review our subscriber counting policies and underlying systems to improve the accuracy and consistency of the data reported on a prospective basis. Accordingly, we may from time to time make appropriate adjustments to our subscriber statistics based on those reviews.