VodafoneZiggo Reports Preliminary Q2 2017 Results

Over 630,000 Households Enjoy Converged Offer with Free Benefits

Utrecht, the Netherlands — August 7, 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 ("Q2") and six months ended ("H1") June 30, 2017, as compared to the pro forma[1] 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 June 30, 2017 unaudited condensed consolidated financial statements prior to the end of August 2017, at which time the report will be posted to our website.

VodafoneZiggo highlights for Q2 2017:

- Lower fixed RGU[2] attrition with a loss of 10,000 RGUs in Q2 as compared to a loss of 28,000 in Q2 2016; mobile contract net additions improved to 19,000, compared to a pro forma loss of 2,000 in Q2 2016
- Total revenue[3] declined by 3% on a pro forma basis in Q2 to €997 million, reflecting continuing mobile competition, notably in the B2B segment; fixed-line performance was stable
- Consumer cable revenue[4] declined by 1% on a pro forma basis as ARPU growth was offset by a lower customer base
- Consumer mobile service revenue[5] declined by 7% on a pro forma basis in Q2 driven by increased competition and lower roaming revenue
- B2B revenue[6,7] declined by 7% on a pro forma basis in Q2 as mobile pressures were only partially offset by cable growth (led by small office/home office "SOHO" subscribers)
- Operating income of €46 million in Q2; remained flat on a pro forma basis compared with Q2 2016
- Q2 Operating Cash Flow ("OCF")[8] declined by 1% on a pro forma basis to €428 million as lower revenue was partially offset by lower marketing expenses, reduced handset costs driven by a higher proportion of SIM-only sales and lower interconnect costs driven by lower voice and SMS usage
- Successful launch in April of converged offer to 633,000 households with 872,000 mobile SIMs. Offer includes double mobile data allowance, an extra premium TV package and an internet security package at no incremental cost
- 2017 guidance reconfirmed: ~€1.65 billion of OCF[9], property and equipment additions[13] to be in the low twenties as a percentage of our revenue and total expected cash returns to our shareholders of at least €500 million

Jeroen Hoencamp, VodafoneZiggo CEO, commented:

"While competition in the mobile market remains intense, we are making good operational progress, the merger integration process is going well and we are on track to become a fully converged player. As of the end of Q2, 20% of our internet customers are already enjoying 'Non-stop Gratis' converged benefits, which has led to substantial increases in net promoter scores for these customers. We believe this improvement is a positive early indication that our investment in driving convergence is paying off. In early July we launched new 'more-for-more' mobile propositions, which we expect will help to sustain our commercial momentum in postpaid. We also implemented a 3.5% price increase for our cable customers at the start of July, which has not materially impacted churn. Looking ahead, we expect mobile termination rate cuts and roaming regulation, combined with an ongoing drag in B2B mobile, to weigh on our mobile revenue. Despite these headwinds and higher expected integration costs resulting from the acceleration of our restructuring efforts during the second half of the year, we are confident that we can achieve our full-year OCF guidance and deliver attractive cash returns for our shareholders."

VodafoneZiggo operating highlights for Q2 2017:

- Reported a net loss of 10,000 fixed RGUs in Q2, an improvement compared to a net loss of 28,000 RGUs in Q2 2016, reflecting higher gross additions and lower churn[10] despite an average price increase of 3.5% that we announced in May and implemented on July 1, 2017
- Added 9,000 broadband RGUs as well as 6,000 fixed-line telephony subscribers in Q2, supported by our new converged offers
    - Broadband growth has been supported by our Connect Box router, offering superior WiFi connectivity and an impeccable in-home experience deployed to 529,000 customers at the end of Q2 2017
    - Video attrition continued to improve year-over-year (9,000 fewer RGU losses) partly as a result of our investments in content, customer service and our 'Game of Thrones' new season promotion
- Delivered Ziggo Mediabox XL (formerly known as Horizon TV) additions of 58,000 in Q2, increasing our next-generation TV subscribers to 1.19 million at the end of Q2, or 30% of our total video base
- Despite aggressive competition, we added 19,000 postpaid mobile subscribers in Q2, a material improvement as compared to a net loss of 2,000 in Q2 2016, primarily driven by our new converged benefit campaigns
- Mobile data usage continued to grow strongly, up 80% year over year, with average usage per postpaid smartphone customer increasing to 1.7GB per month

VodafoneZiggo financial highlights for Q2 2017[(b)]:

- Total pro forma decline in revenue of 3% in both Q2 and H1 to €997 million and €2,015 million, respectively
    - 9% decline in total mobile revenue in Q2
    - €8 million of the Q2 decline was due to lower B2B and consumer mobile roaming, which was impacted by the introduction of EU 'roam like at home' on June 1, 2017 to all of our subscribers
- Consumer cable revenue declined by 1% on a pro forma basis in both Q2 and H1
    - The decline in Q2 was primarily due to lower telephony usage and a lower TV customer base, which was partially offset by an increase in Q2 ARPU[11] per fixed customer relationship
    - Q2 ARPU increased 3% year-over-year to €46 due in part to our July 2016 price increase

- Consumer mobile revenue declined by 6% on a pro forma basis in both Q2 and H1
    - Aggressive competition, which led to lower mobile ARPU[12]
    - Of the €14 million Q2 decline, €3 million stemmed from lower roaming revenue, mainly due to the 'roam like at home' repricing of our premium Red proposition in November 2016
- B2B cable revenue[6] increased by 6% in Q2 and 4.5% in H1 on a pro forma basis
    - The Q2 increase was driven by growth in the SOHO installed base and 'MKB Connect' product sales, which were partly offset by a decline in telephony usage and a lower Esprit installed base
- B2B mobile revenue[7] decreased by 14% and 9% on a pro forma basis in Q2 and H1, respectively
    - The Q2 decline reflected (i) SOHO customers spinning down to lower (residential) price plans, (ii) pricing pressure at our large enterprise customers and (iii) a € 5 million decline in roaming out-of-bundle usage due to the 'roam like at home' repricing of our premium Red Pro proposition in November 2016
- Q2 mobile postpaid ARPU[12] (for both consumer and B2B customers) decreased 10% year-over-year on a pro forma basis to €26 due to the aforementioned impact of competition and roaming
- Operating income remained flat in Q2 at €46 million and decreased 19% in H1 to €99 million on a pro forma basis
    - The YTD decline is primarily due to lower OCF, as described below, partially offset by lower impairment, restructuring and other costs
- OCF declined by 1% and 3.5% on a pro forma basis in Q2 and H1, respectively, to €428 million and €860 million, respectively, as compared to the prior-year periods
    - These decreases were primarily due to the above mentioned revenue performance partially offset by (i) decreases in marketing and sales expenses, (ii) lower mobile handset costs, and (iii) lower interconnect costs driven by lower voice and SMS usage
    - Of note, the lower mobile handset costs in Q2 were primarily driven by a decrease in average costs per handset and lower handset volumes following changes to consumer credit regulations in May 2017. This led to a higher proportion of SIM-only sales in Q2. It is not yet clear whether this is a temporary or a permanent change in consumer behavior
    - In H1 2017 integration expenses were €8 million
- Property and equipment additions[13] were 20% of revenue for both Q2 and H1 and, including integration-related additions for the full year 2017, are on track to remain in the low twenties as a percentage of our revenue
    - YTD spend was lower compared with the corresponding period in 2016, primarily due to lower capacity related spending following higher mobile network investments in the prior-year period to enhance our countrywide 4G coverage
- At June 30, 2017, our fully-swapped third-party debt borrowing cost[14] was 4.5% and the average tenor of our third-party debt (excluding vendor financing) exceeded 8 years

- At June 30, 2017, total third party debt (excluding vendor financing) was €9.9 billion, down from €10.2 billion at March 31, 2017. Further, 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 debt[15] was €9.7 billion at June 30, 2017, which is unchanged from March 31, 2017
- During the quarter, we paid aggregate interest and dividends to our shareholders of €28 million and €160 million, respectively. In H1 we paid total interest and dividends to our shareholders of €368 million
- Based on our results for the six months ended June 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 3.70x and (ii) the ratio of Total Net Debt to Annualized EBITDA (last two quarters annualized) was 4.73x, each as calculated in accordance with our most restrictive covenants
- At June 30, 2017, we had maximum undrawn commitments of €800 million. When our Q2 compliance reporting requirements have been completed and assuming no changes from June 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. GAAP[16].

Operating Statistics Summary

	As of and for the three months ended June 30,	
	2017	2016
Footprint		
Homes Passed[17]	7,118,100	7,053,000
Two-way Homes Passed[18]	7,111,400	7,039,600
Subscribers (RGUs)[4]		
Basic Video[19]	592,500	720,200
Enhanced Video[20]	3,341,100	3,291,500
Total Video	3,933,600	4,011,700
Internet[21]	3,197,200	3,118,400
Telephony[22]	2,544,800	2,530,500
Total RGUs	9,675,600	9,660,600
Q2 Organic RGU Net Additions (Losses)		
Basic Video	(26,800)	(16,300)
Enhanced Video	2,800	(16,400)
Total Video	(24,000)	(32,700)
Internet	8,600	9,600
Telephony	5,900	(4,500)
Total organic RGU net losses	(9,500)	(27,600)
Penetration		
Enhanced Video Subscribers as a % of Total Video Subscribers[23]	84.9%	82.0%
Internet as a % of Two-way Homes Passed[24]	45.0%	44.3%
Telephony as a % of Two-way Homes Passed[24]	35.8%	35.9%
Fixed Customer Relationships		
Fixed Customer Relationships[25]	3,936,300	4,033,300
RGUs per Fixed Customer Relationship	2.46	2.40
Q2 Monthly ARPU per Fixed Customer Relationship[11]	€ 46	€ 45
Fixed Customer Bundling		
Single-Play	18.5%	21.9%
Double-Play	17.2%	16.8%
Triple-Play	64.3%	61.4%
Mobile SIMs (pro forma for 2016)[26]		
Postpaid	4,085,800	4,059,800
Prepaid	964,200	1,184,600
Total Mobile	5,050,000	5,244,400
Q2 organic Postpaid net additions (losses)	18,900	(2,400)
Q2 organic Prepaid net additions (losses)	(42,000)	21,600
Total organic Mobile net additions (losses)	(23,100)	19,200
Q2 Monthly Mobile ARPU[12]		
Postpaid (including interconnect revenue)	€ 26	€ 29
Prepaid (including interconnect revenue)	€ 3	€ 3

Financial Results, OCF Reconciliation & Property and Equipment Additions

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

	Three months ended June 30,			Six months ended June 30,		
	2017	2016 Pro Forma[1]	Change	2017	2016 Pro Forma[1]	Change
	in millions, except % amounts					
Total revenue[3]						
Consumer cable revenue[4]						
Subscription revenue	€ 517.3	€ 522.7	(1.0%)	€ 1,038.3	€ 1,049.3	(1.0%)
Non-subscription revenue	6.0	6.2	(3.2%)	13.6	12.7	7.1%
Total consumer cable revenue	523.3	528.9	(1.1%)	1,051.9	1,062.0	(1.0%)
Consumer mobile revenue[5]						
Service revenue	188.8	203.2	(7.1%)	381.6	409.2	(6.7%)
Non-service revenue	31.8	31.4	1.3%	65.2	65.5	(0.5%)
Total consumer mobile revenue	220.6	234.6	(6.0%)	446.8	474.7	(5.9%)
B2B cable revenue[6]						
Subscription revenue	80.6	77.9	3.5%	163.4	156.8	4.2%
Non-subscription revenue	7.4	5.3	39.6%	13.1	12.1	8.3%
Total B2B cable revenue	88.0	83.2	5.8%	176.5	168.9	4.5%
B2B mobile revenue[7]						
Service revenue	131.4	154.5	(15.0%)	272.3	303.3	(10.2%)
Non-service revenue	21.3	22.3	(4.5%)	42.9	42.3	1.4%
Total B2B mobile revenue	152.7	176.8	(13.6%)	315.2	345.6	(8.8%)
Total B2B revenue	240.7	260.0	(7.4%)	491.7	514.5	(4.4%)
Other revenue[27]	12.6	8.7	44.8%	24.4	23.6	3.4%
Total revenue	€ 997.2	€ 1,032.2	(3.4%)	€ 2,014.8	€ 2,074.8	(2.9%)
OCF	€ 428.1	€ 432.5	(1.0%)	€ 859.5	€ 890.8	(3.5%)
OCF as a percentage of revenue	42.9%	41.9%		42.7%	42.9%	
Operating income as a percentage of revenue	4.6%	4.4%		4.9%	5.9%	
OCF Reconciliation						
Operating income	€ 46.1	€ 45.9		€ 99.3	€ 121.9	
Share-based compensation expense	1.5	2.8		4.2	5.6	
Depreciation and amortization [(a)]	378.0	378.2		753.3	755.0	
Impairment, restructuring and other operating items, net	2.5	5.6		2.7	8.3	
OCF	€ 428.1	€ 432.5		€ 859.5	€ 890.8	

(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 following table presents the unaudited selected pro forma results for the quarterly periods of 2016.

	Three months ended March 31, 2016	Three months ended June 30, 2016	Three months ended September 30, 2016	Three months ended December 31, 2016	Year Ended December 31, 2016
	Pro Forma[1] in millions, except % amounts				
Total Revenue	€ 1,042.6	€ 1,032.2	€ 1,054.2	€ 1,044.0	€ 4,173.0
OCF	€ 458.3	€ 432.5	€ 463.5	€ 439.7	€ 1,794.0
Operating income	76.0	45.9	105.9	73.4	301.2
Share-based compensation expense	2.8	2.8	2.5	3.0	11.1
Depreciation and amortization	376.8	378.2	355.7	355.7	1,466.4
Impairment, restructuring and other operating items, net	2.7	5.6	(0.6)	7.6	15.3
OCF	€ 458.3	€ 432.5	€ 463.5	€ 439.7	€ 1,794.0
OCF as a percentage of revenue	44.0%	41.9%	44.0%	42.1%	43.0%
Operating income as a percentage of revenue	7.3%	4.4%	10.0%	7.0%	7.2%

The table below highlights the categories of our property and equipment additions[28] 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 June 30, 2017	Three months ended June 30, Pro Forma[1] 2016	Six months ended June 30, 2017	Six months ended June 30, Pro Forma[1] 2016
Customer premises equipment	€ 70.7	€ 74.5	€ 142.6	€ 143.8
New build and upgrade	18.8	15.7	36.5	29.1
Capacity	62.4	58.3	133.8	167.7
Baseline	41.0	32.2	90.7	86.0
Product and enablers	3.6	6.1	6.9	10.7
Property and equipment additions	196.5	€ 186.8	410.5	€ 437.3
Assets acquired under capital-related vendor financing arrangements (a)	(99.8)		(143.9)	
Changes in liabilities related to capital expenditures (a)	8.6		(5.1)	
Total capital expenditures (a)[29]	€ 105.3		€ 261.5	
Property and equipment additions as a percentage of revenue	19.7%	18.1%	20.4%	21.1%

(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).

		June 30, 2017				March 31, 2017
	Borrowing currency		€ equivalent			
Senior Credit Facilities						
Term Loan E (LIBOR + 2.75%) USD due 2025	$	2,525.0	€	2,212.4	€	2,360.5
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		1,752.4		1,869.7
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		350.5		373.9
€800.0 million Ziggo Revolving Facilities EUR due 2022				—		—
Elimination of the Proceeds Loans in consolidation				(3,302.9)		(3,443.6)
Total Senior Credit Facilities				4,462.4		4,610.5
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		1,752.4		1,869.7
Total Senior Secured Notes				3,399.1		3,516.4
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		350.5		373.9
6.00% USD Senior Notes due 2027	$	625.0		547.6		584.3
Total Senior Notes				2,041.2		2,101.3
Vendor financing				468.1		316.2
Total third-party debt				10,370.8		10,544.4
Unamortized premiums, discounts and deferred financing costs, net				64.9		63.2
Total carrying amount of third-party debt				10,435.7		10,607.6
Less: cash				340.1		272.8
Net carrying amount of third-party debt[30]			€	10,095.6	€	10,334.8
Exchange rate ($ to €)				1.1413		1.0697

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 debt[15] 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 June 30, 2017 and March 31, 2017. These amounts are presented for illustrative purposes only and will likely differ from the actual cash receipts in future periods.

	June 30, 2017	March 31, 2017
	in millions	
Total third-party debt (€ equivalent)	€ 10,370.8	€ 10,544.4
Less:		
Vendor financing	(468.1)	(316.2)
Projected principal-related cash receipts associated with our cross-currency derivative instruments	(192.4)	(517.9)
Total covenant amount of third-party gross debt[15]	9,710.3	9,710.3
Less: cash	(340.1)	(272.8)
Total covenant amount of third-party net debt[15]	€ 9,370.2	€ 9,437.5

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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 June 30, 2017, we have more than 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 25 million customers through next-generation networks, who subscribe to 51 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. 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 June 30, 2017 RGU counts exclude our separately reported prepaid and postpaid mobile subscribers.

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 4, 5, 6 and 7 for additional descriptions of the current revenue categories.

4. 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.

5. 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.

6. 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.

7. 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.

8. 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.

9. 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 8.

10. 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.

11. Average Revenue Per Unit ("ARPU") refers to the average monthly subscription or service revenue (including SOHO), for either fixed or mobile services, respectively, per average fixed customer relationship or mobile subscriber. Our fixed ARPU per cable subscriber is calculated by dividing the average monthly cable subscription revenue for the indicated period, by the average of the opening and closing balances for fixed customer relationships 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.

12. Our ARPU per mobile subscriber calculation refers to the average monthly mobile service and interconnect revenue per average mobile subscribers in service and is 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.

13. 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.

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. Broadband and telephony penetration is calculated by dividing the number of telephony RGUs and broadband 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 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.

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.