



ZIGGO GROUP HOLDING B.V.

**Condensed Consolidated Financial Statements
September 30, 2016**

**Ziggo Group Holding B.V.
Atoomweg 100
3452 AB Utrecht
The Netherlands**

ZIGGO GROUP HOLDING B.V.

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ZIGGO GROUP HOLDING B.V.
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)

	September 30,	December 31,
	2016	2015
	in millions	
ASSETS		
Current assets:		
Cash.....	€ 0.1	€ 12.8
Trade receivables, net	88.9	62.7
Related-party receivables (note 9)	3.3	8.4
Derivative instruments (note 4)	50.6	16.1
Prepaid expenses	16.7	10.8
Other current assets, net.....	15.7	19.8
Total current assets.....	175.3	130.6
Property and equipment, net (note 6)	2,788.7	2,809.8
Goodwill (note 6)	7,225.9	7,225.9
Intangible assets subject to amortization, net (note 6)	3,165.4	3,456.1
Restricted cash (note 7)	2,845.6	—
Other assets, net (note 4)	262.2	416.5
Total assets.....	€ 16,463.1	€ 14,038.9

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

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

	September 30,	December 31,
	2016	2015
	in millions	
LIABILITIES AND OWNER'S EQUITY		
Current liabilities:		
Accounts payable (note 9)	€ 139.9	€ 178.7
Accrued and other current liabilities:		
Third-party (note 10)	184.0	225.8
Related-party (note 9)	133.6	73.4
Deferred revenue and advance payments from subscribers and others	175.4	182.5
Derivative instruments (note 4)	89.2	94.1
Accrued interest (note 9)	68.0	100.5
Value-added tax (VAT) payable	65.5	63.3
Current portion of debt and capital lease obligations (note 7):		
Third-party	250.8	115.9
Related-party (note 9)	2.4	3.7
Total current liabilities	1,108.8	1,037.9
Long-term debt and capital lease obligations (note 7):		
Third-party	9,884.0	7,231.8
Related-party (note 9)	3,269.5	3,129.6
Deferred income taxes	559.3	694.9
Other long-term liabilities (notes 4 and 10)	610.8	539.0
Total liabilities	15,432.4	12,633.2
Commitments and contingencies (notes 4, 7 and 11)		
Total owner's equity	1,030.7	1,405.7
Total liabilities and owner's equity	€ 16,463.1	€ 14,038.9

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

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2016	2015	2016	2015
	in millions			
Revenue (notes 9 and 12).....	€ 611.0	€ 612.7	€ 1,819.1	€ 1,858.4
Operating costs and expenses:				
Operating (other than depreciation and amortization) (note 9).....	196.0	182.4	584.0	580.2
Selling, general and administrative (SG&A) (including share-based compensation) (note 9)	80.3	83.0	248.9	271.6
Related-party fees and allocations (note 9)	57.0	42.5	163.3	107.6
Depreciation and amortization	230.6	254.6	686.7	797.9
Impairment, restructuring and other operating items, net (note 10).....	1.4	9.9	7.1	19.1
	<u>565.3</u>	<u>572.4</u>	<u>1,690.0</u>	<u>1,776.4</u>
Operating income.....	<u>45.7</u>	<u>40.3</u>	<u>129.1</u>	<u>82.0</u>
Non-operating income (expense):				
Interest expense:				
Third-party	(77.7)	(81.3)	(238.6)	(227.7)
Related-party (note 9)	(40.9)	(45.0)	(122.7)	(181.8)
Interest income – related-party (note 9)	—	—	—	16.3
Realized and unrealized gains (losses) on derivative instruments, net (note 4).....	(146.4)	(56.5)	(332.7)	160.8
Foreign currency transaction gains (losses), net	34.4	6.3	81.6	(159.7)
Losses on debt modification and extinguishment, net (note 7).....	(14.3)	—	(14.3)	(0.9)
Other expense, net	(5.9)	(1.7)	(15.6)	(5.9)
	<u>(250.8)</u>	<u>(178.2)</u>	<u>(642.3)</u>	<u>(398.9)</u>
Loss before income taxes	<u>(205.1)</u>	<u>(137.9)</u>	<u>(513.2)</u>	<u>(316.9)</u>
Income tax benefit (note 8)	49.5	37.2	122.7	93.5
Net loss.....	<u>€ (155.6)</u>	<u>€ (100.7)</u>	<u>€ (390.5)</u>	<u>€ (223.4)</u>

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

ZIGGO GROUP HOLDING B.V.
CONDENSED CONSOLIDATED STATEMENT OF OWNER'S EQUITY
(unaudited)
(in millions)

Total owner's equity at January 1, 2016.....	€ 1,405.7
Net loss.....	(390.5)
Deemed contribution of technology-related charges (note 9).....	12.5
Share-based compensation.....	6.2
Capital charge in connection with the exercise or vesting of share-based incentive awards (note 9).....	(2.1)
Excess of the carrying value over consideration received for property and equipment transferred to entities under common control (note 9).....	(1.1)
Total owner's equity at September 30, 2016.....	<u>€ 1,030.7</u>

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

	Nine months ended	
	September 30,	
	2016	2015
	in millions	
Cash flows from operating activities:		
Net loss.....	€ (390.5)	€ (223.4)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Share-based compensation expense	6.2	4.2
Related-party fees and allocations.....	163.3	107.6
Depreciation and amortization	686.7	797.9
Impairment, restructuring and other operating items, net	7.1	19.1
Related-party interest expense.....	122.7	181.8
Related-party interest income.....	—	(16.3)
Amortization of deferred financing costs and non-cash interest accretion	2.1	1.9
Realized and unrealized losses (gains) on derivative instruments, net	332.7	(160.8)
Foreign currency transaction losses (gains), net.....	(81.6)	159.7
Loss on debt modification and extinguishment, net.....	14.3	0.9
Related-party allocation of current tax expense	—	1.6
Deferred income tax benefit	(122.7)	(93.8)
Changes in operating assets and liabilities	(61.3)	(9.3)
Net cash provided by operating activities	679.0	771.1
Cash flows from investing activities:		
Capital expenditures.....	(241.2)	(300.9)
Net receipts from (advances to) related parties.....	(8.5)	89.3
Other investing activities, net	0.2	(5.9)
Net cash used by investing activities	€ (249.5)	€ (217.5)

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

	Nine months ended September 30,	
	2016	2015
	in millions	
Cash flows from financing activities:		
Related-party payments, net	€ (382.3)	€ (770.5)
Repayments of third-party debt and capital lease obligations	(368.7)	(425.2)
Borrowings of third-party debt	327.1	782.0
Purchase of the remaining noncontrolling interest in Ziggo Holding	(0.3)	(125.9)
Net cash paid related to derivative instruments	—	(21.9)
Other financing activities	(18.7)	(8.7)
Net cash used by financing activities	<u>(442.9)</u>	<u>(570.2)</u>
Effect of exchange rate changes on cash	0.7	(3.1)
Net decrease in cash	(12.7)	(19.7)
Cash:		
Beginning of period	12.8	31.7
End of period	<u>€ 0.1</u>	<u>€ 12.0</u>
Cash paid for interest	<u>€ 268.5</u>	<u>€ 170.6</u>
Cash paid (refunded) for taxes	<u>€ (2.8)</u>	<u>€ 3.5</u>

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

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Notes to Condensed Consolidated Financial Statements
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(1) Basis of Presentation

Ziggo Group Holding B.V. (**Ziggo Group Holding**), a wholly-owned subsidiary of Liberty Global plc (**Liberty Global**), provides video, broadband internet, fixed-line telephony and mobile services to residential and business customers in the Netherlands. Ziggo Group Holding'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**), and (ii) LGE HoldCo VI B.V. (**HoldCo VI**) and its subsidiaries, including LGE HoldCo VII B.V., LGE HoldCo V B.V. (**HoldCo V**) and HoldCo V's subsidiary, Ziggo Holding B.V. (**Ziggo Holding**). In these notes, the terms "we," "our," "our company" and "us" may refer, as the context requires, to Ziggo Group Holding or collectively to Ziggo Group Holding and its subsidiaries.

Our unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (**U.S. GAAP**). Accordingly, these financial statements do not include all of the information required by U.S. GAAP for complete financial statements. In the opinion of management, these financial statements reflect all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the results of operations for the interim periods presented. The results of operations for any interim period are not necessarily indicative of results for the full year. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our 2015 annual report.

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

Our functional currency is the euro (€). Unless otherwise indicated, convenience translations into the euro are calculated as of September 30, 2016.

Certain prior period amounts have been reclassified to conform to the current period presentation, including the reclassification of deferred financing costs from other assets, net, 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.

These condensed consolidated financial statements reflect our consideration of the accounting and disclosure implications of subsequent events through November 22, 2016, 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 direct deduction from the debt liability, similar to the presentation of debt discounts. ASU 2015-03 is 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 September 30, 2016 and December 31, 2015 condensed consolidated balance sheets. Prior to the adoption of ASU 2015-03, we presented deferred financing costs in other assets, net.

Recent Accounting Pronouncements

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. Early application is permitted for annual and interim reporting periods that begin after December 15, 2016. This new standard permits the use of either the retrospective or cumulative

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effect transition method. We will adopt ASU 2014-09 effective January 1, 2018 using the cumulative effect transition method. We are currently evaluating the effect that ASU 2014-09 will have on our consolidated financial statements and related disclosures.

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

In March 2016, the FASB issued ASU No. 2016-09, *Compensation — Stock Compensation, Improvements to Employee Share-Based Payment Accounting (ASU 2016-09)*, which simplifies several aspects of the accounting for share-based payment transactions, including income tax consequences, classification of awards as either equity or liabilities and classification within the statement of cash flows. ASU 2016-09 is effective for annual reporting periods beginning after December 15, 2017, with early adoption permitted. We intend to adopt ASU 2016-09 effective January 1, 2017 and do not expect this adoption to have a material impact on our consolidated financial statements.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments — Credit Losses (ASU 2016-13)*, which changes the way entities measure credit losses for most financial assets and certain other instruments that are not measured at fair value through net earnings. ASU 2016-13 is effective for annual reporting periods beginning after December 15, 2020, with early adoption permitted. We intend to adopt ASU 2016-13 effective January 1, 2020, and we are currently evaluating the effect that ASU 2016-13 will have on our consolidated financial statements and related disclosures.

(3) Pending Joint Venture Transaction

On February 15, 2016, Liberty Global and Liberty Global Europe Holding B.V. (**Liberty Global Europe**), a wholly-owned subsidiary of Liberty Global, entered into a Contribution and Transfer Agreement (the **Contribution Agreement**) with Vodafone Group plc (**Vodafone**) and one of its wholly-owned subsidiaries. Pursuant to the Contribution Agreement, Liberty Global and Vodafone agreed to form a 50:50 joint venture (the **JV**), which will combine our business and Liberty Global Content Netherlands B.V. (**Ziggo Sport**), a wholly-owned subsidiary of Liberty Global, with Vodafone's mobile businesses in the Netherlands to create a national unified communications provider in the Netherlands with complementary strengths across video, broadband, mobile and business-to-business (**B2B**) services. Subsequent to September 30, 2016, Ziggo Sport was transferred to Ziggo Group Holding. For additional information, see note 13.

At the closing of the transaction contemplated by the Contribution Agreement, Vodafone will pay Liberty Global an equalization payment equal to approximately €1.0 billion, as adjusted for the defined net debt of Ziggo Group Holding and Vodafone at the time of closing and certain working capital adjustments. Our company will be contributed to the JV together with our outstanding third-party debt, while Ziggo Sport and Vodafone's business in the Netherlands will be contributed on a debt and cash free basis. Under the terms of the Contribution Agreement, we are not required to contribute our cash to the JV.

As further described in note 7, certain subsidiaries of Ziggo Group Holding entered into various debt financing transactions in anticipation of the formation of the JV. The parties currently expect to make a pro rata distribution of the net proceeds from the additional debt to Liberty Global and Vodafone. The JV will be required to make regular cash distributions to the shareholders on a pro rata basis equal to the unrestricted cash held by the JV (subject to the JV maintaining a minimum amount of cash and complying with the terms of its financing arrangements). As an ongoing operation, it is intended that the JV will be funded solely from its net cash flow from operations and third-party financing. This transaction will not trigger any of the requirements under our debt agreements to redeem our outstanding debt pursuant to applicable change in control provisions.

Pursuant to the Framework Agreement, as defined in note 9, that Liberty Global expects to enter into in connection with the closing of the JV, Liberty Global and Vodafone will provide certain services to the JV.

Upon consummation of this transaction, Liberty Global and Vodafone will enter into a shareholders' agreement for the JV. Each of Liberty Global and Vodafone will hold 50% of the issued share capital of the JV. The supervisory board of the JV will comprise eight members, with three appointed by each of Liberty Global and Vodafone and two nominated by the works councils

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of the contributed businesses in accordance with Dutch law. In general, most decisions of the supervisory board will require the assent of individuals appointed by both Liberty Global and Vodafone. Certain decisions, referred to as “Reserved Matters” will require the approval of both JV partners, either directly or through their designees to the supervisory board, including (i) changes in the constituent documents, capital, executive management or branding of the JV, (ii) a merger or sale of all or substantially all of the assets of the JV, (iii) the approval of the annual budget of the JV and (iv) certain other material business, investing and financing decisions of the JV. The chairman of the supervisory board will rotate on an annual basis between a member appointed by each respective shareholder group.

The consummation of the transaction contemplated by the Contribution Agreement is subject to certain conditions, including competition clearance by the European Commission. On August 3, 2016, the European Commission approved the transaction subject to the divestment by Vodafone of its fixed-line business in the Netherlands. On November 4, 2016, Vodafone confirmed that Vodafone Libertel B.V. has agreed to sell its consumer fixed business to T-Mobile Netherlands Holding B.V. It is anticipated that the transaction contemplated by the Contribution Agreement will close around the end of 2016. The Contribution Agreement also includes customary termination rights, including a right of the parties to terminate the transaction if it has not closed by August 15, 2017.

(4) Derivative Instruments

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

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

	September 30, 2016			December 31, 2015		
	Current	Long-term (a)	Total	Current	Long-term (a)	Total
	in millions					
Assets:						
Cross-currency and interest rate derivative contracts (b).....	€ 50.6	€ 64.2	€ 114.8	€ 16.1	€ 208.8	€ 224.9
Liabilities:						
Cross-currency and interest rate derivative contracts (b).....	€ 71.0	€ 401.6	€ 472.6	€ 75.9	€ 226.6	€ 302.5
Equity-related derivative instrument (c).....	18.2	—	18.2	18.2	—	18.2
Total.....	<u>€ 89.2</u>	<u>€ 401.6</u>	<u>€ 490.8</u>	<u>€ 94.1</u>	<u>€ 226.6</u>	<u>€ 320.7</u>

- (a) Our long-term derivative assets and liabilities are included in other assets, net, and other long-term liabilities, respectively, in our condensed consolidated balance sheets.
- (b) We consider credit risk in our fair value assessments. As of September 30, 2016 and December 31, 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 €3.1 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 €66.4 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 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

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contracts resulted in net gains of €52.0 million and €7.4 million during the three months ended September 30, 2016 and 2015, respectively, and €58.9 million and €3.0 million during the nine months ended September 30, 2016 and 2015, respectively. These amounts are included in realized and unrealized gains (losses) on derivative instruments, net, in our condensed consolidated statements of operations. For further information regarding our fair value measurements, see note 5.

- (c) Represents the fair value of a written put option related to a joint venture investment, whereby our joint venture partner has the right to put its joint venture shares to us. Effective September 28, 2016, we signed a settlement agreement to liquidate our joint venture arrangement. Including the fair value of this derivative liability, we have recorded the value of our liquidation obligation in our September 30, 2016 condensed consolidated balance sheet that we expect to pay by January 2017.

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2016	2015	2016	2015
	in millions			
Cross-currency and interest rate derivative contracts	€ (146.4)	€ (56.5)	€ (332.7)	€ 167.8
Foreign currency forward contracts	—	—	—	(7.0)
Total	<u>€ (146.4)</u>	<u>€ (56.5)</u>	<u>€ (332.7)</u>	<u>€ 160.8</u>

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

	Nine months ended	
	September 30,	
	2016	2015
	in millions	
Operating activities	€ (52.5)	€ (25.0)
Financing activities	—	(21.9)
Total	<u>€ (52.5)</u>	<u>€ (46.9)</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 September 30, 2016, our exposure to counterparty credit risk included derivative assets with an aggregate fair value of €65.4 million.

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Details of our Derivative Instruments

In the following tables, we present the details of the various categories of our derivative instruments. The notional amounts of multiple derivative instruments that mature within the same calendar month are shown in the aggregate and interest rates are presented on a weighted average basis. In addition, for derivative instruments that were in effect as of September 30, 2016, we present a single date that represents the applicable final maturity date. For derivative instruments that become effective subsequent to September 30, 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 September 30, 2016, which are held by our wholly-owned subsidiary, Amsterdamse Beheer-en Consultingmaatschappij B.V. (ABC B.V.), 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%

Interest Rate Swaps:

The terms of our outstanding interest rate swap contracts at September 30, 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 2016 - October 2017.....	\$ 500.0	1 mo. LIBOR + 3.00%	6 mo. LIBOR + 2.51%
October 2016 - October 2017.....	\$ 500.0	1 mo. LIBOR + 3.00%	6 mo. LIBOR + 2.51%
October 2016 - January 2022	\$ 300.0	4.18%	6 mo. LIBOR + 2.75%

(5) Fair Value Measurements

We use the fair value method to account for our derivative instruments. The reported fair values of these instruments as of September 30, 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.

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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 the nine months ended September 30, 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.

In order to manage our interest rate and foreign currency exchange risk, we have entered into various derivative instruments, as further described in note 4. The recurring fair value measurements of these instruments are determined using discounted cash flow models. Most of the inputs to these discounted cash flow models consist of, or are derived from, observable Level 2 data for substantially the full term of these instruments. This observable data includes most 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 4. In addition, we have an equity-related derivative instrument that we record at fair value based upon Level 3 inputs, as further described in note 4.

Fair value measurements are also used in connection with nonrecurring valuations performed in connection with impairment assessments and acquisition accounting. These nonrecurring valuations include the valuation of our company, customer relationship intangible assets, property and equipment and the implied value of goodwill. The valuation of our company (our only reporting unit) is based at least in part on discounted cash flow 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 valuation of customer relationships is primarily based on an excess earnings methodology, which is a form of a discounted cash flow analysis. The excess earnings methodology requires us to estimate the specific cash flows expected from the customer relationship, considering such factors as estimated customer life, the revenue expected to be generated over the life of the customer relationship, contributory asset charges and other factors. Tangible assets are typically valued using a replacement or reproduction cost approach, considering factors such as current prices of the same or similar equipment, the age of the equipment and economic obsolescence. The implied value of goodwill is determined by allocating the fair value of a reporting unit to all of the assets and liabilities of that unit as if the reporting unit had been acquired in a business combination, with the residual amount allocated to goodwill. All of our nonrecurring valuations use significant unobservable inputs and therefore fall under Level 3 of the fair value hierarchy. During the nine months ended September 30, 2016 and 2015, we did not perform significant nonrecurring fair value measurements.

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(6) Long-lived Assets

Property and Equipment, Net

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

	September 30, 2016	December 31, 2015
	in millions	
Distribution systems.....	€ 3,200.9	€ 3,054.1
Customer premises equipment.....	788.0	688.6
Support equipment, buildings and land.....	643.4	586.5
	<u>4,632.3</u>	<u>4,329.2</u>
Accumulated depreciation.....	(1,843.6)	(1,519.4)
Total property and equipment, net.....	<u>€ 2,788.7</u>	<u>€ 2,809.8</u>

During the nine months ended September 30, 2016 and 2015, we recorded non-cash increases to our property and equipment related to vendor financing arrangements of €141.5 million and €46.2 million, respectively, which exclude related VAT of €17.0 million and €6.2 million, respectively, that were also financed by our vendors under these arrangements. In addition, during the nine months ended September 30, 2016 and 2015, we recorded non-cash increases to our property and equipment related to assets acquired under capital lease arrangements of nil and €2.8 million, respectively.

Goodwill

There were no changes to the carrying amount of our goodwill during 2016. If, among other factors, (i) our enterprise value or Liberty Global's equity values were 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, based on the relatively high carrying value of our reporting unit, 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:

	September 30, 2016			December 31, 2015		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
	in millions					
Customer relationships.....	€ 3,898.8	€ (734.2)	€ 3,164.6	€ 3,898.8	€ (443.5)	€ 3,455.3
Other.....	1.0	(0.2)	0.8	1.0	(0.2)	0.8
Total.....	<u>€ 3,899.8</u>	<u>€ (734.4)</u>	<u>€ 3,165.4</u>	<u>€ 3,899.8</u>	<u>€ (443.7)</u>	<u>€ 3,456.1</u>

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(7) Debt and Capital Lease Obligations

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

	September 30, 2016		Estimated fair value (c)		Principal amount	
	Weighted average interest rate (a)	Unused borrowing capacity (b)	September 30, 2016	December 31, 2015	September 30, 2016	December 31, 2015
	in millions					
Third-party debt:						
Subsidiaries:						
Ziggo Credit Facilities (d)	3.68%	€ 800.0	€ 4,426.2	€ 4,749.7	€ 4,418.7	€ 4,851.9
Ziggo SPE Notes	5.01%	—	4,674.9	1,456.6	4,669.2	1,568.1
Ziggo Notes	6.82%	—	905.5	879.0	814.8	814.8
Vendor financing (e).....	2.66%	—	247.1	116.1	247.1	116.1
Total principal amount of third-party debt before unamortized premiums, discounts and deferred financing costs.....	4.52%	€ 800.0	€ 10,253.7	€ 7,201.4	€ 10,149.8	€ 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:

	September 30, 2016	December 31, 2015
	in millions	
Total principal amount of third-party debt before unamortized premiums, discounts and deferred financing costs	€ 10,149.8	€ 7,350.9
Unamortized premiums (discounts), net.....	17.9	23.2
Unamortized deferred financing costs.....	(32.9)	(26.6)
Total carrying amount of third-party debt.....	10,134.8	7,347.5
Third-party capital lease obligations	—	0.2
Total third-party debt and capital lease obligations.....	10,134.8	7,347.7
Related-party debt and capital lease obligations (note 9).....	3,271.9	3,133.3
Total debt and capital lease obligations.....	13,406.7	10,481.0
Current maturities of debt and capital lease obligations	(253.2)	(119.6)
Long-term debt and capital lease obligations.....	€ 13,153.5	€ 10,361.4

(a) Represents the weighted average interest rate in effect at September 30, 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 September 30, 2016. For information regarding our derivative instruments, see note 4.

(b) Unused borrowing capacity represents the maximum availability under the Ziggo Credit Facilities at September 30, 2016 without regard to covenant compliance calculations or other conditions precedent to borrowing. At September 30, 2016, based on the applicable debt incurrence covenants, we anticipate that we will be unable to draw on our undrawn commitments under the Ziggo Credit Facilities. When the relevant September 30, 2016 compliance reporting requirements have been

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completed, and assuming no changes from September 30, 2016 borrowing levels, we anticipate that our availability under the Ziggo Credit Facilities will be limited to €8.1 million. In addition to these limitations, the debt instruments of the borrowers under the Ziggo Credit Facilities contain restricted payment tests that limit the amount of this availability that can be loaned or distributed to other Ziggo Group Holding subsidiaries and ultimately to Ziggo Group Holding. At September 30, 2016, the borrowers under the Ziggo Credit Facilities were unable to loan or distribute any of our undrawn commitments. When the relevant September 30, 2016 compliance reporting requirements have been completed, and assuming no changes from September 30, 2016 borrowing levels, we anticipate that the borrowers under the Ziggo Credit Facilities will continue to be unable to loan or distribute any of our undrawn commitments.

- (c) The estimated fair values of our debt instruments are determined using the average of applicable bid and ask prices (mostly Level 1 of the fair value hierarchy). For additional information regarding fair value hierarchies, see note 5.
- (d) On March 31, 2016, (i) Ziggo Finance 2 B.V., 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., 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 9.
- (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 condensed consolidated statements of cash flows.

Ziggo Group Holding Financing Transaction

Ziggo Credit Facilities

In August 2016, (i) Ziggo Secured Finance B.V. (**Ziggo Secured Finance**) entered into a €2,589.2 million term loan facility (**Ziggo Facility C**); and (ii) Ziggo Secured Finance Partnership (**Ziggo Secured Partnership**) entered into a \$1,000.0 million (€890.6 million) term loan facility (**Ziggo Facility D**). Ziggo Facility C and Ziggo Facility D were each issued at 99.5% of par and mature on August 31, 2024. Ziggo Facility C bears interest at a rate of EURIBOR plus 3.75% and is subject to a EURIBOR floor of 0.0%. Ziggo Facility D bears interest at a rate of LIBOR plus 3.00% and is subject to a LIBOR floor of 0.0%. The net proceeds from Ziggo Facility C were used, in conjunction with existing cash, to prepay in full (a) the €664.2 million outstanding principal amount under an existing Ziggo Group Holding credit facility that was due on March 31, 2021 and (b) the €1,925.0 million outstanding principal amount under the Ziggo Euro Facility, and the net proceeds from Ziggo Facility D were used, in conjunction with existing cash, to prepay \$1,000.0 million (€890.6 million) of the \$2,350.0 million (€2,092.9 million) outstanding principal amount under the Ziggo Dollar Facility, which bears interest at a rate of LIBOR plus 2.75% and matures on January 15, 2022. 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 (1) the write-off of unamortized discount of €11.4 million and (2) the write-off of €2.9 million of deferred financing costs.

Ziggo SPE Notes

In September 2016, (i) Ziggo Secured Finance issued (a) \$2,000.0 million (€1,781.2 million) principal amount of 5.50% senior secured notes (the **Ziggo 2027 Dollar Senior Secured Notes**) and (b) €775.0 million of 4.25% senior secured notes (the **Ziggo 2027 Euro Senior Secured Notes**) and, together with the Ziggo 2027 Dollar Senior Secured Notes, the **Ziggo 2027 Senior Secured Notes**, each due January 15, 2027, and (ii) Ziggo Bond Finance B.V. (**Ziggo Bond Finance**), a special purpose finance entity owned 100% by a third party, issued \$625.0 million (€556.6 million) principal amount of 6.00% senior notes due January 15, 2027 (the **Ziggo 2027 Senior Notes**). Ziggo Secured Finance used \$300.0 million (€267.2 million) of the net proceeds from the Ziggo 2027 Dollar Senior Secured Notes (the **Funded Amount**) to fund a senior secured proceeds loan (the **Ziggo Dollar Senior Secured Proceeds Loans**) under a term loan facility agreement. The Ziggo Dollar Senior Secured Proceeds Loans were used to prepay \$300.0 million (€267.2 million) of the principal amount outstanding under the Ziggo Dollar Facility.

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Pending the formation of the JV, the remaining net proceeds from the Ziggo 2027 Senior Secured Notes and the Ziggo 2027 Senior Notes of €2,845.6 million were placed into certain escrow accounts (the **Escrowed Proceeds**) and, accordingly, were accounted for as non-cash financing transactions. Upon consummation of the JV, the Escrowed Proceeds will be used, subject to certain conditions, to fund senior and senior secured proceeds loans under term loan facility agreements to one or more subsidiaries of Ziggo Group Holding or Vodafone, in each case, for the purpose of funding a loan, dividend, distribution or other payment to Ziggo Group Holding, and ultimately to Liberty Global and Vodafone, and paying related fees and expenses. If the JV is not consummated on or before September 23, 2017 (the **Longstop Date**), the Escrowed Proceeds will be used to fund certain senior and senior secured proceeds loans under term loan facility agreements to one or more subsidiaries of Ziggo Group Holding for the purpose of refinancing indebtedness of Ziggo Group Holding or for general corporate purposes. If the JV is not consummated on or before the Longstop Date and all or a portion of the Escrowed Proceeds are released to one or more subsidiaries of Ziggo Group Holding for the purpose of refinancing indebtedness of Ziggo Group Holding or for general corporate purposes, the aggregate principal amount outstanding of the Ziggo 2027 Dollar Senior Secured Notes will be no less than \$500.0 million (€445.3 million), the aggregate principal amount outstanding of the Ziggo 2027 Euro Senior Secured Notes will be no less than €400.0 million (together with the minimum outstanding principal amount of the Ziggo 2027 Dollar Senior Secured Notes, the **Senior Secured Financing Amounts**) and the aggregate principal amount outstanding of the Ziggo 2027 Senior Notes will be no less than \$500.0 million (€445.3 million) (the **Senior Financing Amount**).

Although Ziggo Bond Finance, Ziggo Secured Finance and Ziggo Secured Partnership are each special purpose financing entities that are 100% owned by a third party, the various financing transactions completed by Ziggo Bond Finance, Ziggo Secured Finance and Ziggo Secured Partnership create variable interests for which Ziggo Group Holding and its subsidiaries are the primary beneficiary. As such, Ziggo Group Holding is required to consolidate Ziggo Bond Finance, Ziggo Secured Finance and Ziggo Secured Partnership.

In the event that the JV is not or will not be consummated on or before the Longstop Date, or upon the occurrence of certain other events that would result in the termination of the escrow accounts (the **Escrow Termination Date**), Ziggo Secured Finance and Ziggo Bond Finance will redeem all of the Ziggo 2027 Senior Secured Notes and the Ziggo 2027 Senior Notes, as applicable, other than (i) the Funded Amount, (ii) the Senior Secured Financing Amounts and (iii) the Senior Financing Amount at a redemption price equal to 100% of the principal amount of the Ziggo 2027 Senior Secured Notes and the Ziggo 2027 Senior Notes redeemed, respectively, plus accrued but unpaid interest and additional amounts, if any, to the date of the redemption (the **Special Mandatory Redemption**).

At any time on or prior to the earlier of the date of the release of the Escrowed Proceeds and the Escrow Termination Date, Ziggo Secured Finance and Ziggo Bond Finance may, at their option, elect to redeem all or a portion of the Ziggo 2027 Senior Secured Notes and the Ziggo 2027 Senior Notes, as applicable, other than the Funded Amount at a redemption price equal to 100% of the principal amount of the Ziggo 2027 Senior Secured Notes and the Ziggo 2027 Senior Notes redeemed, respectively, plus accrued but unpaid interest and additional amounts, if any, to the date of the redemption (the **Special Optional Redemption**).

Subject to the Special Mandatory Redemption, the Special Optional Redemption and certain other circumstances (as specified in the indenture), the Ziggo 2027 Senior Secured Notes and the Ziggo 2027 Senior Notes are non-callable until January 15, 2022. At any time prior to January 15, 2022, Ziggo Secured Finance and Ziggo Bond Finance may redeem some or all of the Ziggo 2027 Senior Secured Notes and the Ziggo 2027 Senior Notes, as applicable, by paying a “make-whole” premium, which is the present value of all remaining scheduled interest payments to January 15, 2022 using the discount rate (as specified in the indenture) as of the redemption date plus 50 basis points.

On or after January 15, 2022, Ziggo Secured Finance and Ziggo Bond Finance may redeem all, or from time to time a part, of the Ziggo 2027 Senior Secured Notes and the Ziggo 2027 Senior Notes, as applicable, at the following redemption prices (expressed as a percentage of the principal amount) plus accrued and unpaid interest and additional amounts (as specified in the indenture), if any, to the applicable redemption date, as set forth below:

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	Redemption price		
	Ziggo 2027 Dollar Senior Secured Notes	Ziggo 2027 Euro Senior Secured Notes	Ziggo 2027 Senior Notes
12-month period commencing January 15:			
2022.....	102.750%	102.125%	103.000%
2023.....	101.833%	101.417%	102.000%
2024.....	100.917%	100.708%	101.000%
2025 and thereafter.....	100.000%	100.000%	100.000%

Maturities of Debt and Capital Lease Obligations

The euro equivalents of the maturities of our debt and capital lease obligations as of September 30, 2016 are presented below:

Debt:

	Third-party debt (a)	Related- party debt in millions	Total
Year ending December 31:			
2016 (remainder of year).....	€ 50.8	€ —	€ 50.8
2017.....	200.0	—	200.0
2018 - 2019.....	—	—	—
2020.....	71.7	—	71.7
2021 and thereafter.....	9,827.3	3,268.2	13,095.5
Total debt maturities.....	<u>10,149.8</u>	<u>3,268.2</u>	<u>13,418.0</u>
Unamortized premium, net.....	17.9	—	17.9
Unamortized deferred financing costs.....	(32.9)	—	(32.9)
Total debt.....	<u>€ 10,134.8</u>	<u>€ 3,268.2</u>	<u>€ 13,403.0</u>
Current portion.....	<u>€ 250.8</u>	<u>€ —</u>	<u>€ 250.8</u>
Noncurrent portion.....	<u>€ 9,884.0</u>	<u>€ 3,268.2</u>	<u>€ 13,152.2</u>

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

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Related-party capital lease obligations (in millions):

Year ending December 31:	
2016 (remainder of year)	€ 0.5
2017.....	2.3
2018.....	1.0
2019.....	0.2
2020 and thereafter	—
Total principal and interest payments.....	<u>4.0</u>
Amounts representing interest.....	(0.3)
Present value of net minimum lease payments.....	<u>€ 3.7</u>
Current portion	<u>€ 2.4</u>
Noncurrent portion	<u>€ 1.3</u>

(8) Income Taxes

Our condensed consolidated financial statements include the income taxes on a separate return basis (i) of Ziggo Group Holding, along with UPC Nederland Holding and its Dutch subsidiaries, and (ii) of HoldCo VI and its Dutch subsidiaries.

Ziggo Group Holding, along with UPC Nederland Holding and its Dutch subsidiaries, is part of a Dutch fiscal unity (the **Liberty Global Holding Dutch Fiscal Unity**) comprising Liberty Global Holding B.V. (**Liberty Global Holding**) and all of its Dutch subsidiaries, including subsidiaries that are outside of Ziggo Group Holding. The Liberty Global Holding Dutch Fiscal Unity combines 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 are not subject to tax-sharing agreements and no cash payments are made between the companies related to the Dutch tax attributes. Accordingly, related-party tax allocations, if any, are reflected as an adjustment of owner's equity.

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

	<u>Three months ended</u>		<u>Nine months ended</u>	
	<u>September 30,</u>		<u>September 30,</u>	
	<u>2016</u>	<u>2015</u>	<u>2016</u>	<u>2015</u>
	<u>in millions</u>			
Computed "expected" tax benefit.....	€ 51.3	€ 34.5	€ 128.3	€ 79.2
Change in valuation allowances.....	(17.5)	—	(17.2)	—
Basis and other differences in the treatment of items associated with investments in subsidiaries and affiliates	14.8	(1.4)	12.3	(2.3)
Non-deductible or non-taxable interest and other expenses	(1.5)	(4.0)	(10.6)	(7.9)
Tax benefit associated with technology innovation.....	2.8	7.3	10.1	16.9
Recognition of previously unrecognized tax benefits.....	—	—	—	7.9
Other, net.....	(0.4)	0.8	(0.2)	(0.3)
Total income tax benefit.....	<u>€ 49.5</u>	<u>€ 37.2</u>	<u>€ 122.7</u>	<u>€ 93.5</u>

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(9) Related-party Transactions

Our related-party transactions are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
	in millions			
Revenue.....	€ 0.6	€ 0.6	€ 1.7	€ 1.4
Operating expenses.....	(16.1)	(7.2)	(45.3)	(29.8)
SG&A expenses.....	0.2	(0.6)	0.4	(2.5)
Allocated share-based compensation expense.....	(1.9)	(2.0)	(6.2)	(4.2)
Fees and allocations:				
Operating and SG&A (exclusive of depreciation and share-based compensation).....	(15.8)	(17.2)	(52.8)	(47.5)
Depreciation.....	(11.1)	(10.7)	(34.9)	(27.1)
Share-based compensation.....	(4.2)	(5.3)	(15.4)	(14.1)
Management fee.....	(25.9)	(9.3)	(60.2)	(18.9)
Total fees and allocations.....	(57.0)	(42.5)	(163.3)	(107.6)
Included in operating income.....	(74.2)	(51.7)	(212.7)	(142.7)
Interest expense.....	(40.9)	(45.0)	(122.7)	(181.8)
Interest income.....	—	—	—	16.3
Related-party allocation of current tax benefit (expense).....	—	5.3	—	(1.6)
Included in net loss.....	€ (115.1)	€ (91.4)	€ (335.4)	€ (309.8)
Property and equipment additions, net.....	€ 30.4	€ 35.1	€ 109.7	€ 82.2

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

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

Operating expenses. Amounts represent charges from other Liberty Global subsidiaries and affiliates. Such amounts consist of (i) charges of €15.3 million and €6.3 million during the three months ended September 30, 2016 and 2015, respectively, and €42.0 million and €24.8 million during the nine months ended September 30, 2016 and 2015, respectively, for programming and related services provided to our company, including with respect to certain live sports content purchased by another subsidiary of Liberty Global, (ii) charges of €0.7 million and €0.5 million during the three months ended September 30, 2016 and 2015, respectively, and €2.3 million and €3.4 million during the nine months ended September 30, 2016 and 2015, respectively, for

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certain customer premises equipment, backbone and other network-related services provided to our company and (iii) charges of €0.1 million and €0.4 million during the three months ended September 30, 2016 and 2015, respectively, and €1.0 million and €1.6 million during the nine months ended September 30, 2016 and 2015, respectively, for outsourced labor and professional services and staff-related services provided to our company.

SG&A expenses. Amounts consist primarily of charges for information technology-related and other services between our company and other 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 other Liberty Global subsidiaries and include charges for management, finance, legal, technology, marketing and other services that support our company's operations. The categories of our fees and allocations are as follows:

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

Pursuant to two technology service agreements that expire in December 2018 and March 2020 (the **Technology Service Agreements**), certain subsidiaries of Liberty Global charge technology-based fees to our company using a royalty-based method. We recorded an adjustment during the second quarter of 2016 to reduce the amount charged during 2015 under the Technology Service Agreements. As our proportional share of the technology-based costs during 2015 exceeded the adjusted amount charged under the Technology Service Agreements, this €12.5 million adjustment has been reflected as a deemed contribution of technology-related services in our condensed consolidated statement of owner's equity. The fees charged under the Technology Service Agreements are expected to escalate during the remainder of 2016. Any excess of these charges over our estimated proportionate share of the underlying technology-based costs will be classified as a management fee and added back to arrive at Covenant EBITDA.

Upon consummation of the JV, all charges (including amounts charged for technology services) between the JV and the applicable subsidiaries of Liberty Global and Vodafone will be governed by a "Framework Agreement." As a result, the agreements and arrangements (including the Technology Service Agreements) underlying the current related-party charges and allocations will terminate prior to the consummation of the JV. In connection with the termination of the Technology Service Agreements, we expect to incur a significant termination fee. The settlement of this fee with the applicable Liberty Global subsidiaries is not expected to have a material impact on our liquidity.

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Interest expense. Amounts primarily relate to (i) during the 2016 periods, the Liberty Global Europe Note and the Liberty Global Broadband Note, each as defined and described below, and (ii) during the 2015 periods, the Liberty Global Broadband Note.

Interest income. Amount relates to loans receivable from UPC Western Europe Holding B.V. and UPC Broadband Holding B.V., each of which was settled during the first quarter of 2015.

Related-party allocation of current tax benefit (expense). Amounts represent related-party tax allocations from other Liberty Global Holding subsidiaries within the Liberty Global Holding Dutch Fiscal Unity. For additional information, see note 8.

Property and equipment additions, net. These amounts, which are generally cash settled, represent the net carrying values of (i) customer premises and network-related equipment acquired from other Liberty Global subsidiaries, which centrally procure equipment on behalf of our company and various other Liberty Global subsidiaries, and (ii) equipment transferred to other Liberty Global subsidiaries outside of Ziggo Group Holding. The excess of the aggregate carrying values of the equipment transferred to Liberty Global subsidiaries outside of Ziggo Group Holding over the consideration received is recorded as a decrease to owner's equity.

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

	September 30, 2016	December 31, 2015
	in millions	
Assets:		
Related-party receivables (a)	€ 3.3	€ 8.4
Liabilities:		
Accounts payable (b)	€ 20.2	€ 83.5
Accrued and other current liabilities (b)	133.6	73.4
Accrued interest	0.1	0.2
Debt:		
Parent:		
Liberty Global Europe Note (c)	1,893.1	1,994.6
Liberty Global Broadband Note (d)	1,365.7	1,122.9
Subsidiaries:		
Other related-party debt and capital lease obligations (e)	13.1	15.8
Other long-term liabilities (f)	122.5	222.3
Total liabilities	€ 3,548.3	€ 3,512.7

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

(b) Represents non-interest bearing payables, accrued capital expenditures for property and equipment acquired and other accrued liabilities from other 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 other Liberty Global subsidiaries. The payable balances resulting from these cash advances are periodically settled against existing note payable balances on a non-cash basis. These cash advances are included in related-party payments, net, in our condensed consolidated statements of cash flows.

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- (c) Represents amounts due to Liberty Global Europe, the immediate parent of Ziggo Group Holding, pursuant to a note payable (the **Liberty Global Europe Note**) that originated in July 2015. The Liberty Global Europe Note matures on July 1, 2020 and has a fixed interest rate of 4.48%. Accrued interest is included in other long-term liabilities until it is transferred to the loan balance on January 1 of each year. The net decrease in the principal balance during the nine months ended September 30, 2016 relates to (i) €2,201.1 million of cash repayments, (ii) €1,818.3 million of cash borrowings, (iii) an increase of €195.4 million resulting from the settlement of certain related-party charges and allocations, (iv) a non-cash increase of €53.9 million resulting from the transfer of accrued interest, (v) 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 7) and (vi) an increase of €7.0 million related to other cash and non-cash settlements. During the nine months ended September 30, 2016, none of the debt repayments were payments of interest.
- (d) Represents amounts due to Liberty Global Broadband I Limited pursuant to a note payable (the **Liberty Global Broadband Note**) that we issued during 2014. The Liberty Global Broadband Note matures on May 15, 2025 and has a fixed interest rate of 5.13%. Accrued interest is included in other long-term liabilities until it is transferred to the loan balance on January 1 of each year. The increase in the principal balance during the nine months ended September 30, 2016 relates to (i) a non-cash increase of €167.8 million resulting from the transfer of accrued interest and (ii) 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 7).
- (e) Amounts represent other interest-bearing borrowings pursuant to related-party loan and capital lease agreements.
- (f) Amounts primarily represent accrued interest on the Liberty Global Europe Note and the Liberty Global Broadband Note.

During the nine months ended September 30, 2016, we recorded an aggregate capital charge of €2.1 million in our condensed consolidated statement of owner's equity in connection with the exercise of Liberty Global share appreciation rights and the vesting of Liberty Global restricted share awards held by certain employees of our subsidiaries. We and Liberty Global have agreed that these capital charges will be based on the fair value of the underlying Liberty Global shares associated with share-based incentive awards that vest or are exercised during the period, subject to any reduction that is necessary to ensure that the capital charge does not exceed the amount of share-based compensation expense recorded by our company with respect to Liberty Global share-based incentive awards.

(10) Restructuring Liability

A summary of the changes in our restructuring liability during the nine months ended September 30, 2016 is set forth in the table below (in millions):

Restructuring liability as of January 1, 2016.....	€	45.9
Restructuring charges.....		7.3
Cash paid.....		(26.3)
Restructuring liability as of September 30, 2016.....	€	<u>26.9</u>
Current portion.....	€	18.7
Noncurrent portion.....		8.2
Total.....	€	<u>26.9</u>

Our restructuring charges during the nine months ended September 30, 2016 primarily represent employee severance and termination costs related to certain reorganization activities associated with the integration of Ziggo Holding and Ziggo Services.

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(11) Commitments and Contingencies

Commitments

In the normal course of business, we have entered into agreements that commit our company to make cash payments in future periods with respect to programming contracts, non-cancellable operating leases, purchases of customer premises and other equipment and services and other items. The following table sets forth these commitments as of September 30, 2016:

	Payments due during:							Total
	Remainder of 2016	2017	2018	2019	2020	2021	Thereafter	
	in millions							
Programming commitments	€ 26.4	€ 84.8	€ 64.3	€ 54.9	€ 40.3	€ 9.5	€ —	€ 280.2
Operating leases.....	2.0	18.3	14.4	8.5	5.8	3.5	3.9	56.4
Purchase commitments.....	6.9	19.0	3.3	1.6	1.5	1.5	2.1	35.9
Other commitments.....	2.2	10.0	5.2	4.3	3.9	2.5	1.2	29.3
Total (a).....	<u>€ 37.5</u>	<u>€ 132.1</u>	<u>€ 87.2</u>	<u>€ 69.3</u>	<u>€ 51.5</u>	<u>€ 17.0</u>	<u>€ 7.2</u>	<u>€ 401.8</u>

(a) The commitments included in this table do not reflect any liabilities that are included in our September 30, 2016 condensed consolidated balance sheet.

Programming commitments consist of obligations associated with certain of our programming and sports rights contracts that are enforceable and legally binding on us as we have agreed to pay minimum fees without regard to (i) the actual number of subscribers to the programming services, (ii) whether we terminate service to a portion of our subscribers or dispose of a portion of our distribution systems or (iii) whether we discontinue our premium sports services. In addition, programming commitments do not include increases in future periods associated with contractual inflation or other price adjustments that are not fixed. Accordingly, the amounts reflected in the above table with respect to these contracts are significantly less than the amounts we expect to pay in these periods under these contracts. Historically, payments to programming vendors have represented a significant portion of our operating costs, and we expect that this will continue to be the case in future periods. In this regard, our total programming and copyright costs aggregated €255.2 million and €223.7 million (including related-party amounts of €40.6 million and €23.8 million, respectively) during the nine months ended September 30, 2016 and 2015, respectively.

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

Other commitments primarily include network and connectivity commitments, sponsorships and certain fixed minimum contractual commitments associated with our agreements with municipal authorities. Network and connectivity commitments include commitments associated with (i) fiber leasing and (ii) our mobile virtual network operator (MVNO) agreement. The amounts reflected in the above table with respect to our MVNO commitments represent fixed minimum amounts payable under this agreement and, therefore, may be significantly less than the actual amounts we ultimately pay in these periods.

In addition to the commitments set forth in the table above, we have significant commitments under derivative instruments, pursuant to which we expect to make payments in future periods. For information regarding our derivative instruments, including the net cash paid in connection with these instruments during the nine months ended September 30, 2016 and 2015, see note 4.

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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. In addition, we have agreed to guarantee the obligations of another subsidiary of Liberty Global pursuant to a license agreement with a third-party provider of live sports content.

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 E.U. authorities. Adverse regulatory developments could subject our businesses to a number of risks. Regulation, including conditions imposed on us by competition or other authorities as a requirement to close acquisitions or dispositions, could limit growth, revenue and the number and types of services offered and could lead to increased operating costs and property and equipment additions. In addition, regulation may restrict our operations and subject them to further competitive pressure, including pricing restrictions, interconnect and other access obligations, and restrictions or controls on content, including content provided by third parties. Failure to comply with current or future regulation could expose our businesses to various penalties.

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

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(12) 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:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2016	2015	2016	2015
	in millions			
Subscription revenue (a):				
Video.....	€ 285.3	€ 262.0	€ 813.5	€ 801.4
Broadband internet	164.1	177.2	505.7	529.0
Fixed-line telephony	102.6	118.1	325.5	357.9
Cable subscription revenue	552.0	557.3	1,644.7	1,688.3
Mobile (b).....	8.4	7.2	22.7	19.3
Total subscription revenue	560.4	564.5	1,667.4	1,707.6
B2B revenue (c)	41.7	40.1	122.2	121.1
Other revenue (b) (d)	8.9	8.1	29.5	29.7
Total	€ 611.0	€ 612.7	€ 1,819.1	€ 1,858.4

- (a) Subscription revenue includes amounts received from subscribers for ongoing services, excluding installation fees and late fees. Subscription revenue from subscribers who purchase bundled services at a discounted rate is generally allocated proportionally to each service based on the standalone price for each individual service. As a result, changes in the standalone pricing of our cable and mobile products or the composition of bundles can contribute to changes in our product revenue categories from period to period.
- (b) Mobile subscription revenue excludes mobile interconnect revenue of €1.0 million and €0.8 million during the three months ended September 30, 2016 and 2015, respectively, and €2.7 million and €2.2 million during the nine months ended September 30, 2016 and 2015, respectively. Mobile interconnect revenue is included in other revenue.
- (c) B2B revenue includes revenue from business broadband internet, video, voice, mobile and data services offered to medium to large enterprises and, on a wholesale basis, to other operators. We also provide services to certain small or home office (SOHO) subscribers. SOHO subscribers pay a premium price to receive expanded service levels along with video, broadband internet, fixed-line telephony or mobile services that are the same or similar to the mass marketed products offered to our residential subscribers. Revenue from SOHO subscribers, which is included in cable subscription revenue, aggregated €24.4 million and €19.6 million during the three months ended September 30, 2016 and 2015, respectively, and €67.7 million and €56.4 million during the nine months ended September 30, 2016 and 2015, respectively.
- (d) Other revenue includes, among other items, interconnect, installation and late fee revenue.

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(13) Subsequent Event

On October 1, 2016, 100% of the shares of Ziggo Sport were transferred from Liberty Global Ventures Holding B.V., another wholly-owned subsidiary of Liberty Global, to Ziggo Group Holding in exchange for shares of Ziggo Group Holding (the **Ziggo Sport Transfer**).

As the Ziggo Sport Transfer constitutes a transaction between entities under common control, effective October 1, 2016, we will reflect this transfer at carryover basis and our consolidated financial statements will be retrospectively revised to give effect to this transfer for all periods in which Ziggo Group Holding and Ziggo Sport were under the common control of Liberty Global.

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

The following discussion and analysis, which should be read in conjunction with the consolidated financial statements and notes thereto included in our 2015 annual report, is intended to assist in providing an understanding of our financial condition, changes in financial condition and results of operations and is organized as follows:

- *Forward-looking Statements.* This section provides a description of certain factors that could cause actual results or events to differ materially from anticipated results or events.
- *Overview.* This section provides a general description of our business and recent events.
- *Material Changes in Results of Operations.* This section provides an analysis of our results of operations for the three and nine months ended September 30, 2016 and 2015.
- *Material Changes in Financial Condition.* This section provides an analysis of our corporate and subsidiary liquidity, condensed consolidated statements of cash flows and contractual commitments.

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

Unless otherwise indicated, convenience translations into euros are calculated as of September 30, 2016.

Forward-looking Statements

Certain statements in this quarterly report constitute forward-looking statements. To the extent that statements in this quarterly report are not recitations of historical fact, such statements constitute forward-looking statements, which, by definition, involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. In particular, statements under *Management's Discussion and Analysis of Financial Condition and Results of Operations* may contain forward-looking statements, including statements regarding our business, product, foreign currency and finance strategies, our property and equipment additions, 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 following list of some but not all of the factors that could cause actual results or events to differ materially from anticipated results or events:

- economic and business conditions and industry trends in the Netherlands;
- the competitive environment in the Netherlands, including competitor responses to our products and services;
- fluctuations in currency exchange rates and interest rates;
- instability in global financial markets, including sovereign debt issues and related fiscal reforms;
- consumer disposable income and spending levels, including the availability and amount of individual consumer debt;
- changes in consumer television viewing preferences and habits;
- consumer acceptance of our existing service offerings, including our cable television, broadband internet, fixed-line telephony, mobile and business service offerings, and of new technology, programming alternatives and other products and services that we may offer in the future;

- our ability to manage rapid technological changes;
- our ability to maintain or increase the number of subscriptions to our cable television, broadband internet, fixed-line telephony and mobile service offerings and our average revenue per household;
- our ability to provide satisfactory customer service, including support for new and evolving products and services;
- our ability to maintain or increase rates to our subscribers or to pass through increased costs to our subscribers;
- the impact of our future financial performance, or market conditions generally, on the availability, terms and deployment of capital;
- changes in, or failure or inability to comply with, government regulations in the Netherlands and adverse outcomes from regulatory proceedings;
- government intervention that opens 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, such as Ziggo Holding, or we expect to acquire;
- 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 (including our third-party wireless network provider under our MVNO arrangement) to timely deliver quality products, equipment, software, services and access;
- the availability of attractive programming for our video services and the costs associated with such programming, including retransmission and copyright fees payable to public and private broadcasters;
- uncertainties inherent in the development and integration of new business lines and business strategies;
- our ability to adequately forecast and plan future network requirements, including the costs and benefits associated with our 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;
- the leakage of sensitive customer data;
- the outcome of any pending or threatened litigation;
- the loss of key employees and the availability of qualified personnel;
- changes in the nature of key strategic relationships with partners and joint venturers; and
- events that are outside of our control, such as political unrest in international markets, terrorist attacks, malicious human acts, natural disasters, pandemics and other similar events.

The broadband distribution and mobile service industries are changing rapidly and, therefore, the forward-looking statements of expectations, plans and intent in this quarterly report are subject to a significant degree of risk. These forward-looking statements

and the above-described risks, uncertainties and other factors speak only as of the date of this quarterly report, and we expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein, to reflect any change in our expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based. Readers are cautioned not to place undue reliance on any forward-looking statement.

Overview

We are a subsidiary of Liberty Global that provides video, broadband internet, fixed-line telephony and mobile services to residential and business customers in the Netherlands.

At September 30, 2016, we owned and operated networks that passed 7,070,000 homes and served 9,649,300 revenue generating units (**RGUs**), consisting of 3,992,500 video subscribers (including 3,289,000 enhanced video subscribers), 3,132,700 broadband internet subscribers and 2,524,100 fixed-line telephony subscribers. In addition, at September 30, 2016, we served 227,000 mobile subscribers.

We lost 11,300 and 78,900 RGUs on an organic basis during the three and nine months ended September 30, 2016, respectively, as compared to 18,000 and 151,300 RGUs that we lost on an organic basis during the corresponding prior-year periods. The organic RGU losses during the three and nine months ended September 30, 2016 are attributable to the net effect of (i) decreases of 16,700 and 64,500 basic video RGUs, respectively, (ii) decreases of 2,500 and 31,500 enhanced video RGUs, respectively, (iii) increases of 14,300 and 31,300 broadband internet RGUs, respectively, and (iv) decreases of 6,400 and 14,200 fixed-line telephony RGUs, respectively.

We are experiencing significant competition from (i) an incumbent telecommunications operator that is overbuilding our networks with fiber-to-the-home, -cabinet, -building or -node and advanced digital subscriber line technologies, (ii) direct-to-home operators and (iii) other providers. This significant competition, together with the maturation of our market, has contributed to organic declines in revenue, RGUs and average monthly subscription revenue per average cable RGU or mobile subscriber, as applicable, (**ARPU**), the more notable of which include:

- (a) organic declines in cable subscription and overall revenue during the third quarter of 2016, as compared to the third quarter of 2015; and
- (b) organic declines during the third quarter of 2016 in (1) video RGUs, (2) fixed-line telephony RGUs and (3) total RGUs.

On June 23, 2016, the U.K. held a referendum in which U.K. citizens voted in favor of, on an advisory basis, an exit from the E.U., commonly referred to as “Brexit”. Although the vote is non-binding, the British government has announced it will formally notify the E.U. in March 2017 of its intention to leave the E.U. The U.K. High Court ruled on November 3, 2016 that the U.K. parliament must vote on whether the U.K. can start the process of leaving the E.U. The British government has appealed the ruling, which may take several months. The outcome of the appeal is relevant for the timing and terms under which the parties will commence negotiations to determine the terms of the U.K.’s withdrawal from the E.U. 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.

Material Changes in Results of Operations

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 revenue to the extent that we are unable to pass such tax increases on to our customers.

We pay interconnect 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 that we access through our MVNO arrangement. The amounts we charge and incur with respect to fixed-line telephony and mobile interconnect 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 communication and other fixed-line services (collectively referred to herein as “cable subscription revenue”) and our mobile services and (ii) B2B services, interconnect fees, late fees, installation fees and channel carriage fees. Consistent with the presentation of our revenue categories in note 12 to our condensed consolidated financial statements, we use the term “subscription revenue” in the following discussion to refer to amounts received from subscribers for ongoing services, excluding installation fees and late fees. In the following 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) price increases, (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.

Our revenue by major category is set forth below:

	Three months ended September 30,		Increase (decrease)	
	2016	2015	€	%
	in millions			
Subscription revenue (a):				
Video	€ 285.3	€ 262.0	€ 23.3	8.9
Broadband internet	164.1	177.2	(13.1)	(7.4)
Fixed-line telephony.....	102.6	118.1	(15.5)	(13.1)
Cable subscription revenue	552.0	557.3	(5.3)	(1.0)
Mobile (b).....	8.4	7.2	1.2	16.7
Total subscription revenue.....	560.4	564.5	(4.1)	(0.7)
B2B revenue (c).....	41.7	40.1	1.6	4.0
Other revenue (b) (d)	8.9	8.1	0.8	9.9
Total.....	€ 611.0	€ 612.7	€ (1.7)	(0.3)

	Nine months ended September 30,		Increase (decrease)	
	2016	2015	€	%
	in millions			
Subscription revenue (a):				
Video	€ 813.5	€ 801.4	€ 12.1	1.5
Broadband internet	505.7	529.0	(23.3)	(4.4)
Fixed-line telephony.....	325.5	357.9	(32.4)	(9.1)
Cable subscription revenue	1,644.7	1,688.3	(43.6)	(2.6)
Mobile (b).....	22.7	19.3	3.4	17.6
Total subscription revenue.....	1,667.4	1,707.6	(40.2)	(2.4)
B2B revenue (c).....	122.2	121.1	1.1	0.9
Other revenue (b) (d)	29.5	29.7	(0.2)	(0.7)
Total.....	€ 1,819.1	€ 1,858.4	€ (39.3)	(2.1)

- (a) Subscription revenue includes amounts received from subscribers for ongoing services, excluding installation fees and late fees. Subscription revenue from subscribers who purchase bundled services at a discounted rate is generally allocated proportionally to each service based on the standalone price for each individual service. As a result, changes in the standalone pricing of our cable and mobile products or the composition of bundles can contribute to changes in our product revenue categories from period to period.
- (b) Mobile subscription revenue excludes mobile interconnect revenue of €1.0 million and €0.8 million during the three months ended September 30, 2016 and 2015, respectively, and €2.7 million and €2.2 million during the nine months ended September 30, 2016 and 2015, respectively. Mobile interconnect revenue is included in other revenue.
- (c) B2B revenue includes revenue from business broadband internet, video, voice, mobile and data services offered to medium to large enterprises and, on a wholesale basis, to other operators. We also provide services to 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 €24.4 million and €19.6 million during

the three months ended September 30, 2016 and 2015, respectively, and €67.7 million and €56.4 million during the nine months ended September 30, 2016 and 2015, respectively.

- (d) Other revenue includes, among other items, interconnect, installation and late fee revenue.

The details of the decreases in our revenue during the three and nine months ended September 30, 2016, as compared to the corresponding periods in 2015, are set forth below:

	Three-month period			Nine-month period		
	Subscription revenue	Non-subscription revenue	Total	Subscription revenue	Non-subscription revenue	Total
	in millions					
Increase (decrease) in cable subscription revenue due to change in:.....						
Average number of RGUs (a).....	€ (7.7)	€ —	€ (7.7)	€ (28.4)	€ —	€ (28.4)
ARPU (b).....	2.4	—	2.4	(15.2)	—	(15.2)
Total decrease in cable subscription revenue	(5.3)	—	(5.3)	(43.6)	—	(43.6)
Increase in mobile subscription revenue (c).....	1.2	—	1.2	3.4	—	3.4
Total decrease in subscription revenue	(4.1)	—	(4.1)	(40.2)	—	(40.2)
Increase in B2B revenue (d)	—	1.6	1.6	—	1.1	1.1
Increase (decrease) in other revenue (e)	—	0.8	0.8	—	(0.2)	(0.2)
Total increase (decrease).....	€ (4.1)	€ 2.4	€ (1.7)	€ (40.2)	€ 0.9	€ (39.3)

- (a) The decreases in cable subscription revenue related to changes in the average numbers of RGUs are attributable to declines in the average numbers of basic video, enhanced video and fixed-line telephony RGUs that were only partially offset by increases in the average number of broadband internet RGUs.
- (b) The changes in cable subscription revenue related to changes in ARPU are attributable to the net effect of (i) a net increase for the three-month comparison and a net decrease for the nine-month comparison due to (a) higher ARPU from video services and (b) lower ARPU from broadband internet and fixed-line telephony services and (ii) improvements in RGU mix.
- (c) The increases in mobile subscription revenue are due to the net effect of (i) increases in the average number of mobile subscribers and (ii) lower ARPU.
- (d) The increases in B2B revenue are primarily due to the net effect of (i) higher revenue from data services and (ii) lower revenue from voice services.
- (e) The decrease in other revenue for the nine-month comparison includes the net effect of (i) an increase due to the favorable impact of €2.9 million of nonrecurring revenue recorded during the first quarter of 2016 following the settlement of prior period amounts, (ii) a decrease in revenue of €1.4 million resulting from the termination of a Ziggo Holding partner network agreement shortly after the November 2014 acquisition of Ziggo Holding and (iii) a net decrease resulting from individually insignificant changes in other non-subscription revenue categories.

Operating Expenses

Operating expenses include programming and copyright, network operations, mobile access and interconnect, customer operations, customer care and other 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 operating expenses increased €13.6 million or 7.5% and €3.8 million or 0.7% during the three and nine months ended September 30, 2016, respectively, as compared to the corresponding periods in 2015. These increases include the following factors:

- Increases in programming and copyright costs of €14.7 million or 20.8% and €31.5 million or 14.1%, respectively, primarily due to higher costs for certain premium and basic content, including costs associated with premium sports channels of Ziggo Sport, which were launched during the fourth quarter of 2015;
- An increase (decrease) in outsourced labor and professional fees of €1.3 million or 7.0% and (€6.5 million) or (18.6%), respectively. The higher costs for the three-month comparison are due to higher call center costs. The lower costs for the nine-month comparison are primarily due to net lower call center costs, which include a decrease of €12.3 million associated with the net impact of third-party costs recorded in 2015 and 2016 related to network and product harmonization activities and certain other third-party customer care costs incurred in connection with the integration of Ziggo Holding;
- Decreases in network-related expenses of €1.9 million or 9.8% and €6.0 million or 10.6%, respectively, primarily due to (i) lower outsourced labor costs associated with customer-facing activities, (ii) decreases in costs incurred during the nine month comparison of €2.0 million related to network harmonization activities associated with the integration of Ziggo Holding and (iii) a decrease in network maintenance costs;
- A decrease for the nine-month comparison in other direct costs of €4.4 million, primarily resulting from lower costs from set-top box sales due to the fact we stopped selling set-top boxes during the first quarter of 2015;
- A decrease in personnel costs during the nine-month comparison of €2.9 million or 2.3%, primarily due to the net effect of (i) decreased staffing levels and (ii) increased costs resulting from lower proportions of capitalized labor costs;
- A decrease in bad debt and collection expenses during the nine-month comparison of €1.7 million or 30.8%; and
- Net decreases resulting from individually insignificant changes in other operating expense categories.

SG&A Expenses

SG&A expenses include human resources, information technology, general services, management, finance, legal, sales and marketing, share-based compensation and other general expenses. As noted under *Operating Expenses* above, we are subject to inflationary pressures with respect to our labor and other costs.

Our SG&A expenses decreased €2.7 million or 3.3% and €22.7 million or 8.4% during the three and nine months ended September 30, 2016, respectively, as compared to the corresponding periods in 2015. Our SG&A expenses include share-based compensation expense, which increased (decreased) (€0.1 million) and €2.0 million during the three and nine months ended September 30, 2016, respectively, as compared to the corresponding periods in 2015. Excluding the effects of share-based compensation expense, our SG&A expenses decreased €2.6 million or 3.2% and €24.7 million or 9.2% during the three and nine months ended September 30, 2016, respectively, as compared to the corresponding periods in 2015. These decreases include the following factors:

- Decreases in sales and marketing costs of €0.8 million or 2.6% and €12.8 million or 13.6%, respectively. The decrease for the nine-month comparison is primarily due to (i) lower costs associated with advertising campaigns, (ii) lower third-

party sales commissions and (iii) a decrease of €3.6 million related to the impact of rebranding costs incurred during the first nine months of 2015 following the acquisition of Ziggo Holding;

- Decreases in personnel costs of €2.4 million or 6.8% and €12.3 million or 10.6%, respectively, primarily due to decreased staffing levels, including €1.2 million recorded during the nine month period ended September 30, 2015, related to integration activities in connection with the acquisition of Ziggo Holding; and
- An increase (decrease) in outsourced labor and professional fees of (€0.2 million) or (3.1%) and €1.4 million or 9.2%, respectively. These changes include decreases of €1.2 million and €2.9 million related to integration activities in connection with the acquisition of Ziggo Holding.

Related-party fees and allocations

We recorded related-party fees and allocations of €57.0 million and €163.3 million during the three and nine months ended September 30, 2016, respectively, as compared to €42.5 million and €107.6 million during the three and nine months ended September 30, 2015, respectively. 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. For additional information, see note 9 to our condensed consolidated financial statements.

Depreciation and amortization expense

Our depreciation and amortization expense decreased €24.0 million or 9.4% and €111.2 million or 13.9% during the three and nine months ended September 30, 2016, respectively, as compared to the corresponding periods in 2015. These decreases are primarily due to the net effect of (i) decreases associated with certain assets becoming fully depreciated, (ii) increases associated with property and equipment additions related to the installation of customer premises equipment and (iii) decreases resulting from expense recorded during the corresponding periods in 2015, due to the acceleration of depreciation on certain assets that were acquired in connection with the acquisition of Ziggo Holding.

Impairment, restructuring and other operating items, net

We recognized impairment, restructuring and other operating items, net, of €1.4 million and €9.9 million during the three months ended September 30, 2016 and 2015, respectively. The 2016 amount is primarily due to (i) €2.1 million of other operating costs associated with the formation of the JV and (ii) a gain of €0.9 million associated with the sale of tangible assets. The 2015 amount is primarily related to €9.8 million of employee severance and termination costs related to certain reorganization activities.

We recognized impairment, restructuring and other operating items, net, of €7.1 million and €19.1 million during the nine months ended September 30, 2016 and 2015, respectively. The 2016 amount is primarily related to (i) €7.3 million of restructuring charges related to certain reorganization activities associated with the integration of Ziggo Holding and Ziggo Services, (ii) €2.8 million of direct acquisition costs associated with the formation of the JV, (iii) a gain of €3.2 million related to the sale of tangible assets, (iv) a gain of €2.7 million related to the settlement of a legal contingency and (v) €2.1 million of other operating costs associated with the formation of the JV. The 2015 amount is primarily related to (a) €11.3 million of employee severance and termination costs related to certain reorganization activities, (b) €5.1 million of impairment charges primarily related to intangible assets acquired in the Ziggo Acquisition and (c) €3.6 million of direct acquisition costs related to the acquisition of Ziggo Holding.

If, among other factors, (i) our enterprise value or certain Liberty Global equity values declined further 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, based on the relatively high carrying value of our reporting unit, 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.

Interest expense – third-party

Our third-party interest expense decreased €3.6 million or 4.4% during the three months ended September 30, 2016, as compared to the corresponding prior year period. This decrease is due in part to lower interest expense associated with our U.S.

denominated debt. Our interest expense increased €10.9 million or 4.8% during the nine months ended September 30, 2016, as compared to the corresponding period in 2015. This increase is primarily attributable to a higher average outstanding debt balance related to certain financing transactions completed during the first quarter of 2015. For additional information regarding our third-party debt, see note 7 to our condensed consolidated financial statements.

Interest expense – related-party

Our related-party interest expense decreased €4.1 million or 9.1% and €59.1 million or 32.5% during the three and nine months ended September 30, 2016, respectively, as compared to the corresponding periods in 2015. These decreases are primarily due to declines in the average outstanding balance of the Liberty Global Broadband Note, partially offset by increases related to the Liberty Global Europe Note, which was entered into during the third quarter of 2015. For additional information regarding our related-party debt, see note 9 to our condensed consolidated financial statements.

Interest income – related-party

Our related-party interest income was €16.3 million during the nine months ended September 30, 2015. This amount represents interest income on the UPC Broadband Loan Receivable and the UPC Western Europe Loan Receivable, both of which were settled during the first quarter of 2015.

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
	in millions			
Cross-currency and interest rate derivative contracts (a)	€ (146.4)	€ (56.5)	€ (332.7)	€ 167.8
Foreign currency forward contracts.....	—	—	—	(7.0)
Total.....	<u>€ (146.4)</u>	<u>€ (56.5)</u>	<u>€ (332.7)</u>	<u>€ 160.8</u>

- (a) The loss during the 2016 three-month period is primarily attributable to (i) losses associated with an increase in the value of the euro relative to the U.S. dollar, (ii) losses associated with decreases in market interest rates in the euro market and (iii) losses associated with increases in market interest rates in the U.S. dollar market. The loss during the 2016 nine-month period is primarily attributable to the net effect of (a) losses associated with decreases in market interest rates in the euro market and (b) losses associated with an increase in the value of the euro relative to the U.S. dollar. In addition, the losses during the 2016 periods include net gains of €52.0 million and €58.9 million during the three and nine months ended September 30, 2016, respectively, resulting from changes in our credit risk valuation adjustments. The loss during the 2015 three-month period is primarily attributable to the net effect of (1) losses associated with decreases in market interest rates in the euro market, (2) gains associated with decreases in market rates in the U.S. dollar market and (3) losses associated with an increase in the value of the euro relative to the U.S. dollar. The gain during the 2015 nine-month period is primarily attributable to (I) gains associated with a decrease in the value of the euro relative to the U.S. dollar and (II) gains associated with increases in market interest rates in the euro market. In addition, the gain (loss) during the 2015 periods include net gains of €7.4 million and €3.0 million during the three and nine months ended September 30, 2015, respectively, resulting from changes in our credit risk valuation adjustments.

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

Foreign currency transaction gains (losses), net

Our foreign currency transaction gains or losses primarily result from the remeasurement of monetary assets and liabilities that are denominated in currencies other than 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 gains (losses), net, are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2016	2015	2016	2015
	in millions			
U.S dollar denominated debt issued by our company	€ 33.5	€ 6.4	€ 80.5	€ (163.3)
Cash and restricted cash denominated in a currency other than our functional currency	0.7	(0.1)	0.7	6.1
Other	0.2	—	0.4	(2.5)
Total	<u>€ 34.4</u>	<u>€ 6.3</u>	<u>€ 81.6</u>	<u>€ (159.7)</u>

Losses on debt modification and extinguishment, net

We incurred a loss on debt modification and extinguishment, net of €14.3 million during each of the three and nine months ended September 30, 2016 in connection with certain financing transactions. This loss includes (i) the write-off of unamortized discount of €11.4 million and (ii) the write-off of €2.9 million of deferred financing costs.

For additional information concerning our loss on debt modification and extinguishment, net, see note 7 to our condensed consolidated financial statements.

Income tax benefit

We recognized income tax benefits of €49.5 million and €37.2 million during the three months ended September 30, 2016 and 2015, respectively, and €122.7 million and €93.5 million during the nine months ended September 30, 2016 and 2015, respectively.

The income tax benefit recognized during the three months ended September 30, 2016 differs from the expected tax benefit of €51.3 million that would result from the application of the Dutch income tax rate of 25.0% to our loss before income taxes, primarily due to the net impact of (i) an increase in valuation allowances and (ii) the positive impact of certain permanent differences between the financial and tax accounting treatment of items associated with investments in subsidiaries and affiliates. The income tax benefit recognized during the three months ended September 30, 2015 differs from the expected tax benefit of €34.5 million, primarily due to the positive impact of tax benefits associated with technology innovation.

The income tax benefit recognized during the nine months ended September 30, 2016 differs from the expected income tax benefit of €128.3 million that would result from the application of the Dutch income tax rate of 25.0% to our loss before income taxes, primarily due to the net impact of (i) an increase in valuation allowances, (ii) the positive impact of certain permanent differences between the financial and tax accounting treatment of items associated with investments in subsidiaries and affiliates, (iii) the negative impact of certain permanent differences between the financial and tax accounting treatment of interest and other items and (iv) the positive impact of tax benefits associated with technology innovation. The income tax benefit recognized during the nine months ended September 30, 2015 differs from the expected tax benefit of €79.2 million, primarily due to the positive impacts of tax benefits associated with technology innovation.

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

Net loss

During the three months ended September 30, 2016 and 2015, we reported net losses of €155.6 million and €100.7 million, respectively, including (i) operating income of €45.7 million and €40.3 million, respectively, (ii) net non-operating expenses of €250.8 million and €178.2 million, respectively, and (iii) income tax benefits of €49.5 million and €37.2 million, respectively.

During the nine months ended September 30, 2016 and 2015, we reported net losses of €390.5 million and €223.4 million, respectively, including (i) operating income of €129.1 million and €82.0 million, respectively, (ii) net non-operating expenses of €642.3 million and €398.9 million, respectively, and (iii) income tax benefits of €122.7 million and €93.5 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 and allocations, (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 that Liberty Global will continue to cause our company to maintain our debt at current levels relative to our Covenant EBITDA. As a result, we expect that we will continue to report significant levels of interest expense for the foreseeable future. For information concerning our expectations with respect to trends that may affect our operating results in future periods, see the discussion under *Overview* above. For information concerning the reasons for changes in specific line items in our results of operations data, see the above discussion.

Material Changes in Financial Condition

Sources and Uses of Cash

As a holding company, Ziggo Group Holding's primary assets are its investments in consolidated subsidiaries. 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 September 30, 2016, all of our €0.1 million of consolidated cash was held by our subsidiaries.

Liquidity of Ziggo Group Holding

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

Ziggo Group Holding's corporate liquidity requirements include corporate general and administrative expenses. From time to time, Ziggo Group Holding may also require cash in connection with (i) the repayment of its related-party debt, (ii) the funding of loans or distributions to Liberty Global Europe (and ultimately to Liberty Global or other Liberty Global subsidiaries), (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 Ziggo Revolving Facilities. For details of the borrowing availability under the Ziggo Revolving Facilities, see note 7 to our condensed 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 condensed consolidated cash flows, see the discussion under *Condensed Consolidated Statements of Cash Flows* below. Our subsidiaries may also require funding in connection with (i) the repayment of 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 Ziggo Group Holding (and ultimately to Liberty Global subsidiaries or Liberty Global) or (iv) the satisfaction of contingencies, including contingent obligations that could be triggered by the exercise of a written put option, as further described in note 4 to our condensed consolidated financial statements.

Capitalization

At September 30, 2016, we have €10,149.8 million outstanding principal amount of consolidated third-party debt, including €250.8 million that is classified as current in our condensed consolidated balance sheet and €9,827.3 million that is not due until 2021 or thereafter. For additional information regarding our current debt maturities, see note 7 to our condensed consolidated financial statements.

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

Our ability to service or refinance our debt and to maintain compliance with the leverage covenants in 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. 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 Ziggo 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.

Notwithstanding our negative working capital position at September 30, 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 consolidated third-party debt at September 30, 2016 has been borrowed or incurred by our subsidiaries.

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

Condensed Consolidated Statements of Cash Flows

Summary. The condensed consolidated statements of cash flows for the nine months ended September 30, 2016 and 2015 are summarized as follows:

	Nine months ended September 30,		Change
	2016	2015	
	in millions		
Net cash provided by operating activities.....	€ 679.0	€ 771.1	€ (92.1)
Net cash used by investing activities.....	(249.5)	(217.5)	(32.0)
Net cash used by financing activities.....	(442.9)	(570.2)	127.3
Effect of exchange rate changes on cash.....	0.7	(3.1)	3.8
Net decrease in cash.....	<u>€ (12.7)</u>	<u>€ (19.7)</u>	<u>€ 7.0</u>

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 cash payments related to interest, (ii) a decrease in cash provided due to higher cash payments related to derivative instruments and (iii) an increase in the cash provided by our Segment OCF and related working capital items.

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 €97.8 million associated with higher net advances to related parties and (ii) a decrease in cash used of €59.7 million due to lower capital expenditures.

The capital expenditures that we report in our condensed consolidated statements of cash flows do not include amounts that our company has financed under capital-related 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 the following discussion, we refer to (i) our capital expenditures as reported in our condensed consolidated statements of cash flows, which exclude amounts financed under capital-related vendor financing or 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 6 and 7 to our condensed consolidated financial statements, respectively.

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

	Nine months ended September 30,	
	2016	2015
	in millions	
Property and equipment additions.....	€ 376.9	€ 343.7
Assets acquired under capital-related vendor financing arrangements.....	(141.5)	(46.2)
Assets acquired under capital leases.....	—	(2.8)
Changes in current liabilities related to capital expenditures (including related-party amounts).....	5.8	6.2
Capital expenditures.....	<u>€ 241.2</u>	<u>€ 300.9</u>

The increase in our property and equipment additions is primarily due to an increase in expenditures for the purchase and installation of customer premises equipment.

Financing Activities. The decrease in net cash used by our financing activities is primarily attributable to the net effect of (i) an increase in cash used of €398.4 million due to lower net borrowings of third-party debt, (ii) a decrease in cash used of €388.2 million associated with lower net related-party payments, (iii) a decrease in cash used of €125.6 million related to the purchase during the 2015 period of the remaining noncontrolling interest in Ziggo Holding and (iv) a decrease in cash used of €21.9 million due to lower cash payments related to derivative instruments.

Contractual Commitments

The following table sets forth the euro equivalents of our commitments as of September 30, 2016:

	Payments due during:							Total
	Remainder of 2016	2017	2018	2019	2020	2021	Thereafter	
	in millions							
Debt (excluding interest):								
Third-party.....	€ 50.8	€ 200.0	€ —	€ —	€ 71.7	€ —	€ 9,827.3	€10,149.8
Related-party	—	—	—	—	—	—	3,268.2	3,268.2
Related-party capital leases (excluding interest).....	0.5	2.1	0.9	0.2	—	—	—	3.7
Programming commitments.....	26.4	84.8	64.3	54.9	40.3	9.5	—	280.2
Operating leases	2.0	18.3	14.4	8.5	5.8	3.5	3.9	56.4
Purchase commitments	6.9	19.0	3.3	1.6	1.5	1.5	2.1	35.9
Other commitments.....	2.2	10.0	5.2	4.3	3.9	2.5	1.2	29.3
Total (a)	<u>€ 88.8</u>	<u>€ 334.2</u>	<u>€ 88.1</u>	<u>€ 69.5</u>	<u>€ 123.2</u>	<u>€ 17.0</u>	<u>€ 13,102.7</u>	<u>€13,823.5</u>
Projected cash interest payments on third-party debt and related-party capital lease obligations (b)	<u>€ 69.7</u>	<u>€ 427.2</u>	<u>€ 462.2</u>	<u>€ 461.7</u>	<u>€ 462.2</u>	<u>€ 459.3</u>	<u>€ 1,682.7</u>	<u>€ 4,025.0</u>

- (a) The commitments included in this table do not reflect any liabilities that are included in our September 30, 2016 condensed consolidated balance sheet other than debt and related-party capital lease obligations.
- (b) Amounts are based on interest rates, interest payment dates, commitment fees and contractual maturities in effect as of September 30, 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. Amounts associated with related-party debt are excluded from the table.

For additional information concerning our debt and related-party capital lease obligations and our commitments, see notes 7 and 11 to our condensed consolidated financial statements, respectively.

In addition to the commitments set forth in the table above, we have significant commitments under derivative instruments, pursuant to which we expect to make payments in future periods. For information regarding 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 in connection with these instruments during the nine months ended September 30, 2016 and 2015, see note 4 to our condensed consolidated financial statements.

Projected Cash Flows Associated with Derivative Instruments

The following table provides information regarding the projected cash flows associated with our derivative instruments. The euro equivalents presented below are based on interest rates and exchange rates that were in effect as of September 30, 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 4 to our condensed consolidated financial statements.

	Payments (receipts) due during:							Total
	Remainder of 2016	2017	2018	2019	2020	2021	Thereafter	
	in millions							
Projected derivative cash payments (receipts), net:								
Interest-related (a)	€ 8.5	€ 57.4	€ 30.9	€ 31.0	€ 31.3	€ 25.3	€ (83.0)	€ 101.4
Principal-related (b).....	—	—	—	—	—	—	(291.8)	(291.8)
Total	<u>€ 8.5</u>	<u>€ 57.4</u>	<u>€ 30.9</u>	<u>€ 31.0</u>	<u>€ 31.3</u>	<u>€ 25.3</u>	<u>€ (374.8)</u>	<u>€ (190.4)</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.