



## **VodafoneZiggo Group B.V.**

**Condensed Consolidated Financial Statements  
September 30, 2018**

**VodafoneZiggo Group B.V.  
Boven Vredenburgpassage 128,  
Utrecht  
The Netherlands**

**VODAFONEZIGGO GROUP B.V.**  
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**VODAFONEZIGGO GROUP B.V.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**  
**(unaudited)**

	September 30, 2018	December 31, 2017
	in millions	
ASSETS		
Current assets:		
Cash and cash equivalents	€ 325.7	€ 274.5
Trade receivables, net	209.8	226.2
Related-party receivables (note 9)	33.4	20.6
Prepaid expenses	52.8	59.0
Inventory held for sale, net	35.6	25.7
Derivative instruments (note 4)	115.6	45.9
Contract assets (notes 2 and 3)	164.1	—
Other current assets, net	88.8	33.0
Total current assets	1,025.8	684.9
Property and equipment, net (note 6)	5,303.6	5,431.7
Goodwill (note 6)	7,375.5	7,375.5
Intangible assets subject to amortization, net (note 6)	6,708.5	7,171.5
Long-term contract assets (notes 2 and 3)	66.6	—
Other assets, net (notes 4)	107.6	49.5
Total assets	€ 20,587.6	€ 20,713.1

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

**VODAFONEZIGGO GROUP B.V.**  
**CONDENSED CONSOLIDATED BALANCE SHEETS — (Continued)**  
**(unaudited)**

	September 30, 2018	December 31, 2017
	in millions	
LIABILITIES AND OWNER'S EQUITY		
Current liabilities:		
Accounts payable (note 9)	€ 317.5	€ 370.8
Accrued and other current liabilities:		
Third-party (note 10)	325.5	325.0
Related-party (note 9)	4.6	11.5
Deferred revenue and advance payments from subscribers and others (notes 2 and 3)	206.6	192.2
VAT payable	120.3	122.1
Derivative instruments (note 4)	97.7	65.4
Accrued interest (note 7)	93.2	151.0
Current portion of debt and capital lease obligations (note 7):		
Third-party	958.0	750.4
Related-party (note 9)	200.3	200.8
Total current liabilities	2,323.7	2,189.2
Long-term debt and capital lease obligations (note 7):		
Third-party	9,882.9	9,718.4
Related-party (note 9)	1,600.0	1,600.2
Deferred income taxes (notes 2 and 3)	1,306.2	1,385.4
Other long-term liabilities (notes 2, 3, 4 and 10)	590.9	697.3
Total liabilities	15,703.7	15,590.5
Commitments and contingencies (notes 4, 9 and 11)		
Total owner's equity (notes 2 and 3)		
Total liabilities and owner's equity	€ 20,587.6	€ 20,713.1

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

**VODAFONEZIGGO GROUP B.V.**  
**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**  
**(unaudited)**

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>in millions</b>			
Revenue (notes 2, 3, 9 and 12)	€ 978.5	€ 993.6	€ 2,902.6	€ 2,995.7
Operating costs and expenses (exclusive of depreciation and amortization, shown separately below):				
Programming and other direct costs of services (note 9)	208.3	211.4	630.6	652.7
Other operating (note 9)	113.5	110.4	345.6	349.6
Selling, general and administrative ( <b>SG&amp;A</b> ) (notes 2, 3 and 9)	158.9	167.8	474.7	516.4
Charges for JV Services (note 9)	56.2	58.2	169.6	175.9
Depreciation and amortization	396.4	363.7	1,164.7	1,117.0
Impairment, restructuring and other operating items, net (note 10)	13.2	(2.2)	42.9	0.5
	946.5	909.3	2,828.1	2,812.1
Operating income	32.0	84.3	74.5	183.6
Non-operating income (expense):				
Interest expense:				
Third-party	(121.5)	(115.3)	(350.8)	(347.1)
Related-party (note 9)	(25.6)	(28.3)	(75.5)	(84.2)
Realized and unrealized gains (losses) on derivative instruments, net (note 4)	56.7	(203.7)	192.4	(525.3)
Foreign currency transaction gains (losses), net	(25.4)	161.9	(164.1)	581.3
Gains on debt modification and extinguishment, net	—	—	—	15.2
Other income, net	1.5	2.6	4.2	13.7
	(114.3)	(182.8)	(393.8)	(346.4)
Loss before income taxes	(82.3)	(98.5)	(319.3)	(162.8)
Income tax benefit (notes 2, 3 and 8)	21.6	30.7	82.4	49.7
Net loss	€ (60.7)	€ (67.8)	€ (236.9)	€ (113.1)

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

**VODAFONEZIGGO GROUP B.V.**  
**CONDENSED CONSOLIDATED STATEMENT OF OWNER'S EQUITY**  
**(unaudited)**

	<b>in millions</b>
Total owner's equity at December 31, 2017	€ 5,122.6
Accounting changes (note 2)	321.0
Total owner's equity at January 1, 2018	5,443.6
Net loss	(236.9)
Distributions to VodafoneZiggo Group Holding (note 9)	(325.0)
Share-based compensation (note 9)	2.2
Total owner's equity at September 30, 2018	€ 4,883.9

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

**VODAFONEZIGGO GROUP B.V.**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**  
**(unaudited)**

	Nine months ended September 30,	
	2018	2017
	in millions	
Cash flows from operating activities:		
Net loss	€ (236.9)	€ (113.1)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Share-based compensation expense	2.2	5.1
Depreciation and amortization	1,164.7	1,117.0
Impairment, restructuring and other operating items, net	42.9	0.5
Amortization of debt premiums, deferred financing costs and other non-cash interest	(8.7)	(8.6)
Realized and unrealized losses (gains) on derivative instruments, net	(192.4)	525.3
Foreign currency transaction losses (gains), net	164.1	(581.3)
Gains on debt modification and extinguishment of debt, net	—	(15.2)
Deferred income tax benefit	(82.4)	(49.7)
Changes in operating assets and liabilities	(62.4)	11.2
Net cash provided by operating activities	<u>791.1</u>	<u>891.2</u>
Cash flows from investing activities:		
Capital expenditures	(178.0)	(358.6)
Other investing activities, net	0.5	2.9
Net cash used by investing activities	<u>€ (177.5)</u>	<u>€ (355.7)</u>

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

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

	Nine months ended September 30,	
	2018	2017
	in millions	
Cash flows from financing activities:		
Repayments of third-party debt	€ (660.7)	€ (774.8)
Borrowings of third-party debt	423.7	889.5
Distributions to VodafoneZiggo Group Holding	(325.0)	(3,286.0)
Net cash received (paid) related to derivative instruments	0.9	(158.8)
Related-party payments, net	(0.8)	(1.3)
Collection of VAT receivable	—	152.0
Payment of financing costs	—	(21.4)
Other financing activities, net	(1.1)	(2.3)
Net cash used by financing activities	<u>(563.0)</u>	<u>(3,203.1)</u>
Effect of exchange rate changes on cash and restricted cash	0.4	19.4
Net increase (decrease) in cash and cash equivalents and restricted cash	51.0	(2,648.2)
Cash and cash equivalents and restricted cash:		
Beginning of period	276.9	3,042.4
End of period	<u>€ 327.9</u>	<u>€ 394.2</u>
Cash paid for third-party interest	<u>€ 420.9</u>	<u>€ 378.5</u>
Cash paid for related-party interest	<u>€ 75.5</u>	<u>€ 84.2</u>
Details of end of period cash and cash equivalents and restricted cash:		
Cash and cash equivalents	€ 325.7	€ 391.7
Restricted cash included in other current assets	2.2	2.5
Total cash and cash equivalents and restricted cash	<u>€ 327.9</u>	<u>€ 394.2</u>

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



**VODAFONEZIGGO GROUP B.V.**  
**Notes to Condensed Consolidated Financial Statements**  
**September 30, 2018**  
**(unaudited)**

**(1) Basis of Presentation**

VodafoneZiggo Group B.V. (**VodafoneZiggo**) provides video, broadband internet, fixed-line telephony and mobile services to residential and business customers in the Netherlands. The primary subsidiaries of **VodafoneZiggo** include (i) Ziggo Holding B.V. and its subsidiaries and (ii) Vodafone Nederland Holding I B.V. and its subsidiaries, which include Vodafone Libertel B.V. (**Vodafone NL**). In these notes, the terms “we,” “our,” “our company” and “us” may refer, as the context requires, to VodafoneZiggo or collectively to VodafoneZiggo and its subsidiaries.

VodafoneZiggo is a wholly-owned subsidiary of VodafoneZiggo Group Holding B.V. (**VodafoneZiggo Group Holding**). VodafoneZiggo Group Holding is a 50:50 joint venture (the **VodafoneZiggo JV**) between Vodafone Group Plc (**Vodafone**) and Liberty Global plc (**Liberty Global**) (each a “**Shareholder**”).

Our unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (**U.S. GAAP**) and 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 our 2017 consolidated financial statements and notes thereto included in our 2017 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, certain components of revenue, 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, share-based compensation and actuarial liabilities associated with certain benefit plans. Actual results could differ from those estimates.

Our functional currency is the euro (€). Unless otherwise indicated, convenience translations into euros are calculated as of September 30, 2018.

Certain prior period amounts have been reclassified to conform to the current period presentation.

These unaudited condensed consolidated financial statements reflect our consideration of the accounting and disclosure implications of subsequent events through November 21, 2018, the date of issuance.

**(2) Accounting Changes and Recent Accounting Pronouncements**

***Accounting Changes***

***ASU 2014-09***

In May 2014, the Financial Accounting Standards Board (**FASB**) issued Accounting Standards Update (**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 goods or services to customers. We adopted ASU 2014-09 effective January 1, 2018 by recording the cumulative effect of the adoption to our owner’s equity. We applied the new standard to contracts that were not complete at January 1, 2018. The comparative information for the three and nine months ended September 30, 2017 contained within these condensed consolidated financial statements and notes has not been restated and continues to be reported under the accounting standards in effect for such periods.

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**Notes to Condensed Consolidated Financial Statements — (Continued)**  
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The most significant impacts of ASU 2014-09 on our revenue recognition policies relate to our accounting for (i) time-limited discounts and free service periods provided to our customers, (ii) certain upfront fees charged to our customers, (iii) revenue related to mobile handset plans and (iv) costs incurred to obtain and fulfill contracts, as follows:

- When we enter into contracts to provide services to our customers, we often provide time-limited discounts or free service periods. Under previous accounting standards, we recognized revenue net of discounts during the promotional periods and did not recognize any revenue during free service periods. Under ASU 2014-09, revenue recognition is accelerated for these contracts, as the impact of the discount or free service period is recognized uniformly over the total contractual period.
- When we enter into contracts to provide services to our customers, we often charge installation or other upfront fees. Under previous accounting standards, installation fees related to services provided over our cable networks were recognized as revenue during the period in which the installation occurred to the extent these fees were equal to or less than direct selling costs. Under ASU 2014-09, these fees are generally deferred and recognized as revenue over the contractual period.
- Previously, we offered handsets under a subsidized contract model, whereby upfront revenue recognition was limited to the upfront cash collected from the customer, as the remaining monthly fees to be received from the customer, including fees that may be associated with the handset, were contingent upon delivering future airtime. This limitation no longer applies under ASU 2014-09. The primary impact of this change is an increase in revenue allocated to handsets, which is recognized as non-service revenue when control of the device passes to the customer, and a decrease in service revenue.
- ASU 2014-09 also impacts our accounting for certain upfront costs directly associated with obtaining and fulfilling customer contracts. Previously, these costs were expensed as incurred unless the costs were in the scope of another accounting topic that allowed for capitalization. Under ASU 2014-09, certain upfront costs associated with contracts that have substantive termination penalties and a term of one year or more are recognized as assets and amortized to other operating expenses over the applicable period benefited.

For additional information regarding our adoption of ASU 2014-09, see note 3.

The cumulative effect of the adoption of ASU 2014-09 on our summary balance sheet information as of January 1, 2018 is as follows:

	Balance at December 31, 2017	ASU 2014-09 Adjustments (a)	Balance at January 1, 2018
	in millions		
Assets:			
Contract assets	€ —	176.8	€ 176.8
Other current assets, net	€ 33.0	65.5	€ 98.5
Long-term contract assets	€ —	75.1	€ 75.1
Other assets, net	€ 49.5	20.2	€ 69.7
Liabilities:			
Deferred revenue and advance payments from subscribers and others	€ 192.2	13.7	€ 205.9
Deferred income taxes	€ 1,385.4	3.1	€ 1,388.5
Other long-term liabilities	€ 697.3	(0.2)	€ 697.1
Owner's equity	€ 5,122.6	321.0	€ 5,443.6

(a) Amounts represent the cumulative effect of the adoption of ASU 2014-09 on our January 1, 2018 balance sheet, as corrected from the amounts reported as of June 30, 2018. In reassessing our implementation of the new standard we discovered certain

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**Notes to Condensed Consolidated Financial Statements — (Continued)**  
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errors in our computations and methodologies. As a result of these errors, the historical amounts for the three months ended June 30, 2018 and March 31, 2018 for revenue, operating income and net loss have been restated. The following table quantifies the impact of these errors on our previously issued reports:

	Revenue	Operating income (loss)	Net loss
	in millions		
Q2 2018			
As originally reported	€ 934.6	€ (5.1)	€ (126.5)
Revision	16.1	16.1	12.2
As corrected	€ 950.7	€ 11.0	€ (114.3)
Q1 2018			
As originally reported	€ 972.2	€ 31.2	€ (62.4)
Revision	1.2	0.3	0.5
As corrected	€ 973.4	€ 31.5	€ (61.9)

The impact of our adoption of ASU 2014-09 on our condensed consolidated balance sheet as of September 30, 2018 was not materially different from the impacts set forth in the above January 1, 2018 summary balance sheet information. Similarly, the adoption of ASU 2014-09 did not have a material impact on our condensed consolidated statements of operations for the three and nine months ended September 30, 2018.

*ASU 2016-18*

In November 2016, the FASB issued ASU No. 2016-18, *Restricted Cash (ASU 2016-18)*, which requires the change in restricted cash to be included together with the total change in cash and cash equivalents on our consolidated statement of cash flows. We adopted ASU 2016-18 on January 1, 2018 on a retrospective basis and, accordingly, our condensed consolidated statement of cash flows for the nine months ended September 30, 2017 has been adjusted to include our restricted cash, resulting in a €2,995.2 million increase in our net cash used by financing activities related to certain restricted cash that was released from escrow during the period in connection with the formation of VodafoneZiggo.

***Recent Accounting Pronouncements***

*ASU 2016-02*

In February 2016, the FASB issued ASU No. 2016-02, *Leases (ASU 2016-02)*, which, for most leases, will result in lessees recognizing right-of-use assets and lease liabilities on the balance sheet and additional disclosures. ASU 2016-02, as amended by ASU No. 2018-11, *Targeted Improvements*, requires lessees and lessors to recognize and measure leases at the beginning of the earliest period presented using one of two modified retrospective approaches. A number of optional practical expedients may be applied in transition. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2018, including interim periods within those fiscal years, with early adoption permitted. We will adopt ASU 2016-02 on January 1, 2019 by recording the cumulative effect of adoption to our owner's equity.

Although we are currently evaluating the effect that ASU 2016-02 will have on our consolidated financial statements, the main impact of the adoption of this standard will be the recognition of right-of-use assets and lease liabilities in our consolidated balance sheet for those leases classified as operating leases under current U.S. GAAP. We do not intend to recognize right-of-use assets or lease liabilities for leases with a term of 12 months or less, as permitted by the short-term lease practical expedient in the standard. In transition, we plan to apply the practical expedients that permit us not to reassess (i) whether expired or existing contracts contain a lease under the new standard, (ii) the lease classification for expired or existing leases or (iii) whether previously-capitalized initial direct costs would qualify for capitalization under the new standard. In addition, we do not intend to use hindsight during transition.

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**Notes to Condensed Consolidated Financial Statements — (Continued)**  
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For a summary of our undiscounted future minimum lease payments under non-cancellable operating leases as of September 30, 2018, see note 11. We currently do not expect ASU 2016-02 to have a significant impact on our consolidated statements of operations or cash flows.

*ASU 2018-15*

In August 2018, the FASB issued ASU No. 2018-15, *Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement that is a Service Contract (ASU 2018-15)*, which requires entities to defer implementation costs incurred that are related to the application development stage in a cloud computing arrangement that is a service contract. Deferred implementation costs will be amortized over the term of the cloud computing arrangement and presented in the same expense line item as the cloud computing arrangement. All other implementation costs will be expensed as incurred. ASU 2018-15 is effective for annual reporting periods beginning after December 15, 2019, including interim periods within those fiscal years, with early adoption permitted. We are currently evaluating the effect that ASU 2018-15 will have on our consolidated financial statements.

**(3) Revenue Recognition and Related Costs**

***Policies***

ASU 2014-09 requires the identification of deliverables in contracts with customers that qualify as performance obligations. The transaction price receivable from customers is allocated between our performance obligations under contracts on a relative stand-alone selling price basis. Our revenue recognition and certain other accounting policies, as revised to reflect the impacts of our adoption of ASU 2014-09, are set forth below.

*Service Revenue — Cable Networks.* We recognize revenue from the provision of video, broadband internet and fixed-line telephony services over our cable network to customers over time in the periods the related services are provided, with the exception of revenue recognized pursuant to certain contracts that contain promotional discounts, as described below. Installation fees related to services provided over our cable network are generally deferred and recognized as revenue over the contractual period.

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

*Mobile Revenue — General.* Consideration from mobile contracts is allocated to the airtime service component and the handset component based on the relative stand-alone selling prices of each component. Offers for handsets and airtime services in separate contracts entered into at the same time are accounted for as a single contract.

*Mobile Revenue — Airtime Services.* We recognize revenue from mobile services over time in the periods the related services are provided. Revenue from pre-pay customers is deferred prior to the commencement of services and recognized as the services are rendered or usage rights expire.

*Mobile Revenue — Handset Revenue.* Arrangement consideration allocated to handsets is recognized as revenue at the point in time in which the goods have been transferred to the customer. Mobile handset contracts that permit the customer to take control of the handset upfront and pay for the handset in installments over a contractual period may contain a significant financing component. For contracts with terms of one year or more, we recognize the significant financing component as revenue over the contractual period using the effective interest method.

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

*Contract Costs.* Incremental costs to obtain a contract with a customer, such as incremental sales commissions, are generally recognized as assets and amortized over the applicable period benefited, which generally is the contract life, to (i) SG&A expenses

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or (ii) in the case of commissions earned on devices sold through indirect channels, against service revenue. If, however, the amortization period is less than one year, we expense such costs in the period incurred.

Contract fulfillment costs are recognized as assets and amortized to other operating costs over the applicable period benefited, which is generally the substantive contract term for the related service contract. Installation activities are not considered to be contract fulfillment costs. Instead, installation costs are capitalized under existing industry guidance for cable entities, as further described in note 3 to the consolidated financial statements included in our 2017 annual report.

*Promotional Discounts.* For subscriber promotions, such as discounted or free services during an introductory period, revenue is recognized uniformly over the contractual period if the contract has substantive termination penalties. For subscriber promotions offered for longer than an introductory period, we allocate discounts over the related performance obligations and the related period of delivery.

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

*Sales, Use and Other Value-Added Taxes.* Revenue is recorded net of applicable sales, use and other value-added taxes.

For a summary of our revenue disaggregated by major category, see note 12.

### ***Contract Balances***

The timing of revenue recognition may differ from the timing of invoicing our customers. We record a trade receivable when we have transferred goods or services to a customer but have not yet received payment. Our trade receivables are reported net of an allowance for doubtful accounts. Such allowance aggregated €31.5 million and €46.0 million at September 30, 2018 and January 1, 2018, respectively.

If we transfer goods or services to a customer but do not have an unconditional right to payment, we record a contract asset. Contract assets typically arise from the uniform recognition of introductory promotional discounts or the delivery of a handset that is paid for over the duration of the contract period. Our contract assets were €230.7 million and €251.8 million as of September 30, 2018 and January 1, 2018, respectively.

We record deferred revenue when we receive payment prior to transferring goods or services to a customer. We primarily defer revenue for (i) installation and other upfront services and (ii) other services that are invoiced prior to when services are provided. Our deferred revenue balances were €183.8 million and €177.6 million as of September 30, 2018 and January 1, 2018, respectively. The current and long-term portions of our deferred revenue balance at September 30, 2018 are included within deferred revenue and advance payment from subscribers and others and other long-term liabilities, respectively, in our condensed consolidated balance sheet.

### ***Contract Costs***

Our aggregate assets associated with incremental costs to obtain a contract and contract fulfillment costs were €82.8 million and €85.8 million at September 30, 2018 and January 1, 2018, respectively. The current and long-term portions of our assets related to contract costs at September 30, 2018 are included within other current assets, net and other assets, net, respectively, in our condensed consolidated balance sheet. We recorded amortization of €23.2 million and €64.9 million during three and nine months ended September 30, 2018 related to these assets.

### ***Unsatisfied Performance Obligations***

A large portion of our revenue is derived from customers who are not subject to contracts. Revenue from customers who are subject to contracts will be recognized over the term of such contracts, which is generally 12 or 24 months for our residential service and mobile contracts and one to five years for our B2B contracts.

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**Notes to Condensed Consolidated Financial Statements — (Continued)**  
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**(4) Derivative Instruments**

In general, we seek to enter into derivative instruments to protect against (i) increases in the interest rates on our variable-rate debt and (ii) foreign currency movements with respect to borrowings that are denominated in a currency other than our functional currency. In this regard, we have entered into various derivative instruments to manage interest rate exposure and foreign currency exposure with respect to the United States (U.S.) dollar.

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

	September 30, 2018			December 31, 2017		
	Current	Long-term (a)	Total	Current	Long-term (a)	Total
in millions						
<b>Assets:</b>						
Cross-currency and interest rate derivative contracts (b)	€ 114.7	€ 62.5	€ 177.2	€ 45.9	€ 23.0	€ 68.9
Foreign currency forward contracts	0.9	—	0.9	—	—	—
<b>Total</b>	<b>€ 115.6</b>	<b>€ 62.5</b>	<b>€ 178.1</b>	<b>€ 45.9</b>	<b>€ 23.0</b>	<b>€ 68.9</b>
<b>Liabilities:</b>						
Cross-currency and interest rate derivative contracts (b)	€ 97.7	€ 517.1	€ 614.8	€ 65.2	€ 615.6	€ 680.8
Foreign currency forward contracts	—	—	—	0.2	0.1	0.3
<b>Total</b>	<b>€ 97.7</b>	<b>€ 517.1</b>	<b>€ 614.8</b>	<b>€ 65.4</b>	<b>€ 615.7</b>	<b>€ 681.1</b>

- (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 relating to our and our counterparties' nonperformance in the fair value assessment of our derivative instruments. In all cases, the adjustments take into account offsetting liability or asset positions. The changes in the credit risk valuation adjustments associated with our cross-currency and interest rate derivative contracts resulted in a net gain (loss) of (€8.5 million) and €6.5 million during the three months ended September 30, 2018 and 2017, respectively, and net gains of €4.4 million and €73.4 million during the nine months ended September 30, 2018 and 2017, 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.

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,	
	2018	2017	2018	2017
in millions				
Cross-currency and interest rate derivative contracts	€ 56.7	€ (203.4)	€ 189.5	€ (524.0)
Foreign currency forward contracts	—	(0.3)	2.9	(1.3)
<b>Total</b>	<b>€ 56.7</b>	<b>€ (203.7)</b>	<b>€ 192.4</b>	<b>€ (525.3)</b>

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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 inflows (outflows) is as follows:

		Nine months ended September 30,	
		2018	2017
		in millions	
Operating activities	€	16.2	€ 2.5
Financing activities		0.9	(158.8)
Total	€	17.1	€ (156.3)

***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, 2018, our exposure to counterparty credit risk included derivative assets with an aggregate fair value of €2.7 million.

**Details of our Derivative Instruments**

***Cross-currency Swaps***

As noted above, we are exposed to foreign currency exchange rate risk in situations where our debt is denominated in a currency other than our functional currency. Although we generally seek to match the denomination of our and our subsidiaries' borrowings with our functional currency, market conditions or other factors may cause us to enter into borrowing arrangements that are not denominated in our functional currency (unmatched debt). Our policy is generally to provide for an economic hedge against foreign currency exchange rate movements by using derivative instruments to synthetically convert unmatched debt into the applicable underlying currency. At September 30, 2018, substantially all of our debt was either directly or synthetically matched to our functional currency. The following table sets forth the total notional amounts and the related weighted average remaining contractual life of our cross-currency swap contracts at September 30, 2018:

Notional amount due from counterparty (in millions) (a)	\$	7,550.0
Notional amount due to counterparty (in millions)	€	6,499.7
Weighted average remaining life		6.3 years

- (a) Includes certain derivative instruments that do not involve the exchange of notional amounts at the inception and maturity of the instruments. Accordingly, the only cash flows associated with these derivative instruments are interest-related payments and receipts. At September 30, 2018, the total euro equivalent of the notional amounts of these derivative instruments was €1,722.1 million.

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***Interest Rate Derivative Contracts***

As noted above, we enter into interest rate swaps to protect against increases in the interest rates on our variable-rate debt. Pursuant to these derivative instruments, we typically pay fixed interest rates and receive variable interest rates on specified notional amounts. At September 30, 2018, the notional amounts due from counterparties was €2,692.4 million and the related weighted average remaining contractual life of our interest rate swap contracts was 6.6 years.

***Basis Swaps***

Our basis swaps involve the exchange of attributes used to calculate our floating interest rates, including (i) the benchmark rate, (ii) the underlying currency and/or (iii) the borrowing period. We typically enter into these swaps to optimize our interest rate profile based on our current evaluations of yield curves, our risk management policies and other factors. At September 30, 2018, the euro equivalent of the notional amount due from the counterparty was €4,348.2 million and the related weighted average remaining contractual life of our interest basis swap contracts was 0.6 years.

***Impact of Derivative Instruments on Borrowing Costs***

The impact of the derivative instruments that mitigate our foreign currency and interest rate risk, as described above, was a decrease of seven basis points to our borrowing costs as of September 30, 2018.

***Foreign Currency Forwards***

We enter into foreign currency forward contracts with respect to non-functional currency exposure. At September 30, 2018, the euro equivalent of the notional amount of our foreign currency forward contracts was €28.3 million.

**(5) Fair Value Measurements**

We use the fair value method to account for our derivative instruments. The reported fair values of these derivative instruments as of September 30, 2018 likely will not represent the value that will be paid or received upon the ultimate settlement or disposition of these assets and liabilities. We expect that the values realized generally will be based on market conditions at the time of settlement, which may occur at the maturity of the derivative instrument or at the time of the repayment or refinancing of the underlying debt instrument.

U.S. GAAP provides for a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. We record transfers of assets or liabilities into or out of Levels 1, 2 or 3 at the beginning of the quarter during which the transfer occurred. During the nine months ended September 30, 2018, 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 mostly includes interest rate futures and swap rates, which are retrieved or derived from available market data. Although we may extrapolate or interpolate this data, we do not otherwise alter this data in performing our valuations. We incorporate a credit risk valuation adjustment in our fair value measurements to estimate the impact of both our own nonperformance risk and the nonperformance risk of our counterparties. Our and our counterparties' credit spreads represent our most significant Level 3 inputs, and these inputs are used to derive the credit risk valuation adjustments with respect to these instruments. As we would not expect changes in our or our counterparties' credit spreads



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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.

Fair value measurements are also used in connection with nonrecurring valuations performed in connection with impairment assessments and acquisition accounting. During the nine months ended September 30, 2018 and 2017, we did not perform significant nonrecurring fair value measurements.

**(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, 2018	December 31, 2017
	in millions	
Distribution systems	€ 5,089.3	€ 4,791.7
Customer premises equipment	694.2	566.1
Support equipment, buildings and land	1,090.4	931.6
	6,873.9	6,289.4
Accumulated depreciation	(1,570.3)	(857.7)
Total property and equipment, net	€ 5,303.6	€ 5,431.7

During nine months ended September 30, 2018 and 2017, we recorded non-cash increases to our property and equipment related to vendor financing arrangements of €400.3 million and €234.9 million, respectively, which exclude related VAT of €33.9 million and €9.2 million, respectively, that was also financed by our vendors under these arrangements.

***Goodwill***

There were no changes in the carrying amount of our goodwill during the nine months ended September 30, 2018.

Our mobile and fixed-line operations are experiencing significant competition. In particular, our mobile operations continue to experience pressure on pricing, characterized by aggressive promotion campaigns, heavy marketing spend and increasing our unlimited data bundles. In light of these factors, as well as regulatory and economic factors, we could conclude in future periods that an impairment of goodwill and, to a lesser extent, long-lived assets, is required. Any such impairment of goodwill or long-lived assets could be significant.

***Intangible Assets Subject to Amortization, Net***

The details of our intangible assets subject to amortization are set forth below:

	September 30, 2018			December 31, 2017		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
	in millions					
Customer relationships	€ 6,440.0	€ (909.8)	€ 5,530.2	€ 6,440.0	€ (519.9)	€ 5,920.1
Licenses	1,078.8	(151.6)	927.2	1,078.9	(86.7)	992.2
Trade name	270.0	(18.9)	251.1	270.0	(10.8)	259.2
Total	€ 7,788.8	€ (1,080.3)	€ 6,708.5	€ 7,788.9	€ (617.4)	€ 7,171.5

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**(7) Debt and Capital Lease Obligations**

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

	September 30, 2018		Estimated fair value (c)		Principal amount	
	Weighted average interest rate (a)	Unused borrowing capacity (b)	September 30, 2018	December 31, 2017	September 30, 2018	December 31, 2017
in millions						
Subsidiaries:						
Credit Facilities	3.81%	€ 800.0	€ 4,389.8	€ 4,331.1	€ 4,424.1	€ 4,350.4
SPE Notes (d)	—	—	—	4,549.0	—	4,491.3
Senior and Senior Secured Notes (d)	5.27%	—	5,278.8	894.1	5,394.3	814.8
Vendor financing (e)	1.99%	—	952.0	750.4	952.0	750.4
Total principal amount of third-party debt before premiums, discounts and deferred financing costs	4.38%	€ 800.0	€ 10,620.6	€ 10,524.6	€ 10,770.4	€ 10,406.9

- (a) Represents the weighted average interest rate in effect at September 30, 2018 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 deferred financing costs, the weighted average interest rate on our aggregate third-party variable- and fixed-rate indebtedness was 4.4% at September 30, 2018. For additional information regarding our derivative instruments, see note 4.
- (b) Unused borrowing capacity represents the maximum availability under the Credit Facilities at September 30, 2018 without regard to covenant compliance calculations or other conditions precedent to borrowing. At September 30, 2018, based on the most restrictive applicable leverage covenants and leverage-based restricted payments tests, the full €800.0 million of unused borrowing capacity was available to be borrowed and there were no restrictions on our ability to make loans or distributions from this availability. Upon completion of the relevant September 30, 2018 compliance reporting requirements and based on the most restrictive applicable leverage covenants and leverage-based restricted payments tests, without considering any actual and potential changes to our borrowing levels or any amounts loaned or distributed subsequent to September 30, 2018 we expect that the full amount of unused borrowing capacity will continue to be available to be borrowed and that there will be no restrictions with respect to loans or distributions from this availability.
- (c) The estimated fair values of our debt instruments are generally determined using the average of applicable bid and ask prices (mostly Level 1 of the fair value hierarchy) or, when quoted market prices are unavailable or not considered indicative of fair value, discounted cash flow models (mostly Level 2 of the fair value hierarchy). The discount rates used in the cash flow models are based on the market interest rates and estimated credit spreads of the applicable entity, to the extent available, and other relevant factors. For additional information regarding fair value hierarchies, see note 5.
- (d) Ziggo B.V. and Ziggo Bond Company B.V. (**Ziggo Bondco**) are each wholly-owned subsidiaries of VodafoneZiggo. Pursuant to a series of mergers and transactions that were completed during the three months ended March 31, 2018, (i) Ziggo B.V. assumed (a) the 2025 Senior Secured Notes, (b) the 2027 Dollar Senior Secured Notes and (c) the 2027 Euro Senior Secured Notes and released Ziggo Secured Finance B.V. from its obligations under such senior secured notes and (ii) Ziggo Bondco assumed (1) the 2025 Euro Senior Notes, (2) the 2025 Dollar Senior Notes and (3) the 2027 Senior Notes and released Ziggo Bond Finance B.V. from its obligations under such senior notes. Each of these assumptions and releases has been deemed repayment in full and cancellation of the relevant Proceeds Loans that were created in connection with the issuance of the SPE Notes. For definitions and descriptions of the notes described above and the Proceeds Loans, see note 8 to our

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consolidated financial statements included in our 2017 annual report. For a simplified corporate structure chart that gives effect to the completion of the aforementioned mergers and transactions, see the Appendix.

- (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.

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

	<b>September 30, 2018</b>	<b>December 31, 2017</b>
	<b>in millions</b>	
Total principal amount of third-party debt before premiums, discounts and deferred financing costs	€ 10,770.4	€ 10,406.9
Premiums, discounts and deferred financing costs, net	51.5	61.9
Total carrying amount of third-party debt	10,821.9	10,468.8
Third-party capital lease obligations	19.0	—
Total third-party debt and capital lease obligations	10,840.9	10,468.8
Related-party debt and capital lease obligations (note 10)	1,800.3	1,801.0
Total debt and capital lease obligations	12,641.2	12,269.8
Current maturities of debt and capital lease obligations	(1,158.3)	(951.2)
Long-term debt and capital lease obligations	€ 11,482.9	€ 11,318.6

***Maturities of Debt and Capital Lease Obligations***

The euro equivalents of the maturities of our debt and capital lease obligations as of September 30, 2018 are presented below:

*Debt:*

	<b>Third-party</b>	<b>Related-party</b>	<b>Total</b>
	<b>in millions</b>		
Year ending December 31:			
2018 (remainder of year)	€ 299.7	€ 200.0	€ 499.7
2019	652.3	200.0	852.3
2020	71.7	—	71.7
2021	—	—	—
2022	—	—	—
2023	—	—	—
Thereafter	9,746.7	1,400.0	11,146.7
Total debt maturities	10,770.4	1,800.0	12,570.4
Premiums, discounts and deferred financing costs, net	51.5	—	51.5
Total debt	€ 10,821.9	€ 1,800.0	€ 12,621.9
Current portion	€ 952.0	€ 200.0	€ 1,152.0
Noncurrent portion	€ 9,869.9	€ 1,600.0	€ 11,469.9

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*Capital lease obligations :*

	Third-party		Related-party		Total	
	in millions					
Year ending December 31:						
2018 (remainder of year)	€	6.2	€	0.1	€	6.3
2019		7.1		0.2		7.3
2020		3.5		—		3.5
2021		1.8		—		1.8
2022		0.7		—		0.7
2023		0.1		—		0.1
Thereafter		—		—		—
Total principal and interest payments		19.4		0.3		19.7
Amounts representing interest		(0.4)		—		(0.4)
Present value of net minimum lease payments	€	19.0	€	0.3	€	19.3
Current portion	€	6.0	€	0.3	€	6.3
Noncurrent portion	€	13.0	€	—	€	13.0

**(8) Income Taxes**

Our consolidated financial statements include the income taxes of all entities wholly owned by VodafoneZiggo Group Holding BV.

The VodafoneZiggo Fiscal Unity is one taxpayer for the period of time subsequent to the closing of the JV Transaction. VodafoneZiggo Group Holding did not implement a tax-sharing agreements and no cash payments will be made between VodafoneZiggo entities and VodafoneZiggo Group Holding related to the Dutch tax attributes. Accordingly, related-party tax allocations, if any, are reflected as adjustments in our consolidated statement of owner's equity.

On February 22, 2018, the European Court of Justice ruled that certain aspects of the Dutch fiscal unity regime violate the European Union (EU) freedom of establishment. In June 2018, the State Secretary for Finance of the Netherlands submitted a bill to the House of Representatives of the Netherlands containing certain emergency remedial measures that would adjust the fiscal unity regime. On November 2, 2018, the Netherlands tax authorities announced that the effective date for the remedial measures will be January 1, 2018. In the absence of further guidance and regulation, the impact of this ruling and the submitted bill is unclear at this point. However, we currently do not expect that this ruling and the submitted bill should materially impact our effective tax rate.

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:

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>in millions</b>			
Computed "expected" tax benefit	€ 20.6	€ 24.6	€ 79.8	€ 40.7
Tax benefits associated with technology innovations	1.5	5.6	4.0	10.6
Non-deductible or non-taxable interest and other expenses	(0.5)	(0.8)	(0.9)	(1.5)
Other, net	—	1.3	(0.5)	(0.1)
Total income tax benefit	€ 21.6	€ 30.7	€ 82.4	€ 49.7

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**(9) Related-party Transactions**

Our related-party transactions during the period are as follows:

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>in millions</b>			
Revenue	€ 10.1	€ 10.9	€ 31.5	€ 34.1
Programming and other direct costs of services	(16.5)	(19.2)	(33.3)	(36.7)
Share-based compensation expense	(0.6)	(0.9)	(2.2)	(5.1)
Charges for JV Services:				
Charges from Liberty Global:				
Operating (a)	(22.8)	(22.1)	(60.8)	(64.4)
Capital (b)	(7.6)	(8.0)	(23.1)	(24.2)
Total Liberty Global corporate recharges	(30.4)	(30.1)	(83.9)	(88.6)
Charges from Vodafone:				
Operating, net (a)	(18.3)	(20.6)	(63.2)	(64.8)
Brand fees (c)	(7.5)	(7.5)	(22.5)	(22.5)
Total Vodafone corporate recharges	(25.8)	(28.1)	(85.7)	(87.3)
Total charges for JV Services	(56.2)	(58.2)	(169.6)	(175.9)
Included in operating income (loss)	(63.2)	(67.4)	(173.6)	(183.6)
Interest expense	(25.6)	(28.3)	(75.5)	(84.2)
Included in net loss	€ (88.8)	€ (95.7)	€ (249.1)	€ (267.8)
Property and equipment additions, net	€ 14.9	€ 47.3	€ 70.2	€ 202.3

- (a) Represents amounts to be charged for technology and other services. These charges are included in the calculation of Covenant EBITDA, as defined and described below.
- (b) Represents amounts to be charged for capital expenditures to be made by Liberty Global related to assets that we use or will otherwise benefit our company. These charges are not included in the calculation of Covenant EBITDA.
- (c) Represents amounts charged for our use of the Vodafone brand name. These charges are not included in the calculation of Covenant EBITDA.

*Revenue.* Amount represents charges for certain personnel services provided to Vodafone and Liberty Global subsidiaries.

*Programming and other direct costs of services.* Amount represents interconnect fees charged to us by certain subsidiaries of Vodafone.

*Share-based compensation expense.* Amounts relate to charges to our company by Liberty Global and Vodafone for share-based incentive awards held by certain employees of our subsidiaries associated with ordinary shares of Liberty Global and Vodafone. Share-based compensation expense is included within SG&A in our condensed consolidated statements of operations.

*Charges for JV Services - Framework and Trade Mark Agreements*

Pursuant to a framework and a trade name agreement (collectively, the **JV Service Agreements**) entered into in connection with the formation of the VodafoneZiggo JV, Liberty Global and Vodafone charge us fees for certain services provided to us by the respective subsidiaries of the Shareholders (collectively, the **JV Services**). The JV Services are provided to us on a transitional or ongoing basis. Pursuant to the terms of the JV Service Agreements, the ongoing services will be provided for a period of four

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to six years depending on the type of service, while transitional services will be provided for a period of not less than 12 months after which the Shareholders or VodafoneZiggo will be entitled to terminate based on specified notice periods. The JV Services provided by the respective subsidiaries of the Shareholders consist primarily of (i) technology and other services, (ii) capital-related expenditures for assets that we use or otherwise benefit us and (iii) brand name and procurement fees. The fees that Liberty Global and Vodafone charge us for the JV Services, as set forth in the table above, include both fixed and usage-based fees.

*Interest expense.* Amount relates to the Liberty Global Note and the Vodafone Note, as defined and described below.

*Property and equipment additions, net.* These amounts, which are cash settled, represent customer premises and network-related equipment acquired from certain Liberty Global and Vodafone subsidiaries, which subsidiaries centrally procure equipment on behalf of our company.

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

	September 30, 2018	December 31, 2017
	in millions	
<b>Assets:</b>		
Related-party receivables (a)	€ 33.4	€ 20.6
<b>Liabilities:</b>		
Accounts payable (b)	€ 82.2	€ 106.2
Accrued and other current liabilities (b)	4.6	11.5
<b>Debt (c):</b>		
Liberty Global Note	900.0	900.0
Vodafone Note	900.0	900.0
Capital lease obligations	0.3	1.0
<b>Total liabilities</b>	<b>€ 1,887.1</b>	<b>€ 1,918.7</b>

- (a) Represents non-interest bearing receivables from certain Liberty Global and Vodafone subsidiaries.
- (b) Represents non-interest bearing payables, accrued capital expenditures and other accrued liabilities related to transactions with certain Liberty Global and Vodafone subsidiaries that are cash settled.
- (c) Represents debt obligations, as further described below.

***Related-party Debt***

*Liberty Global Note*

The Liberty Global Note is a note payable to a subsidiary of Liberty Global that matures on January 16, 2028 and has a fixed interest rate of 5.55%. Interest is payable in a manner mutually agreed upon by VodafoneZiggo and Liberty Global. During the nine months ended September 30, 2018, interest accrued on the Liberty Global Note was €37.7 million, all of which was cash settled.

*Vodafone Note*

The Vodafone Note is a note payable to a subsidiary of Vodafone that matures on January 16, 2028 and has a fixed interest rate of 5.55%. Interest is payable in a manner mutually agreed upon by VodafoneZiggo and Vodafone. During the nine months ended September 30, 2018, interest accrued on the Vodafone Note was €37.7 million, all of which was cash settled.

**Other**

**(10) Restructuring Liabilities**

	Employee severance and termination	Office closures	Total
	in millions		
Restructuring liability as of January 1, 2018	€ 15.5	€ 0.5	€ 16.0
Restructuring charges (a)	33.6	—	33.6
Cash paid	(28.0)	(0.1)	(28.1)
Other	—	(0.1)	(0.1)
Restructuring liability as of September 30, 2018	€ 21.1	€ 0.3	€ 21.4
Current portion	€ 19.9	€ 0.3	€ 20.2
Noncurrent portion	1.2	—	1.2
Total	€ 21.1	€ 0.3	€ 21.4

- Additional restructuring charges are expected for the remainder of 2018, due to ongoing reorganization activities associated with the closing of the JV Transaction.

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**(11) Commitments and Contingencies**

***Commitments***

As further described in note 9, we have commitments related to the JV Service Agreements. Additionally, in the normal course of business, we have entered into agreements that commit our company to make cash payments in future periods with respect to programming contracts, purchases of customer premises and other equipment, network and connectivity commitments, non-cancellable operating leases and other commitment. The following table sets forth these commitments as of September 30, 2018:

	Remainder of 2018	Payments due during:						Total
		2019	2020	2021	2022	2023	Thereafter	
		in millions						
JV Service Agreements (a)	€ 53.8	€160.0	€139.5	€109.8	€109.7	€ 30.0	€ 60.0	€ 662.8
Programming commitments	35.4	95.2	82.5	33.4	0.6	—	—	247.1
Network and connectivity commitments	18.1	46.0	43.0	38.5	27.1	16.3	51.0	240.0
Operating leases	6.7	33.1	29.0	24.8	16.3	15.4	47.4	172.7
Purchase commitments	115.3	1.0	0.9	0.9	—	—	—	118.1
Other commitments	2.4	16.8	9.9	2.5	1.3	—	—	32.9
Total (b)	€ 231.7	€352.1	€304.8	€209.9	€155.0	€ 61.7	€ 158.4	€1,473.6

(a) Amounts represent fixed minimum charges from Liberty Global and Vodafone pursuant to the JV Service Agreements. In addition to the fixed minimum charges, the JV Service Agreements provide for certain JV Services to be charged to us based upon usage of the services received. The fixed minimum charges set forth in the table above exclude fees for the usage-based services as these fees will vary from period to period. Accordingly, we expect to incur charges in addition to those set forth in the table above for usage-based services. For additional information regarding fees related to the JV Service Agreements, see note 9.

(b) The commitments included in this table do not reflect any liabilities that are included in our September 30, 2018 condensed consolidated balance sheet.

Programming commitments consist of obligations associated with certain of our programming contracts that are enforceable and legally binding on us as we have agreed to pay minimum fees without regard to (i) the actual number of subscribers to the programming services or (ii) whether we terminate service to a portion of our subscribers or dispose of a portion of our distribution systems. In addition, programming commitments do not include increases in future periods associated with contractual inflation or other price adjustments that are not fixed. Accordingly, the amounts reflected in the above table with respect to these contracts are significantly less than the amounts we expect to pay in these periods under these contracts. Historically, payments to programming vendors have represented a significant portion of our operating costs, and we expect that this will continue to be the case in future periods. In this regard, during the nine months ended September 30, 2018 and 2017 the programming and copyright costs incurred by our operations aggregated €239.9 million and €254.2 million, respectively.

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

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

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



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In addition to the commitments set forth in the table above, we have commitments under (i) derivative instruments and (ii) multiemployer defined benefit plans, pursuant to which we expect to make payments in future periods. For information regarding our derivative instruments, including the net cash paid or received in connection with these instruments during 2018, see note 4.

***Guarantees and Other Credit Enhancements***

In the ordinary course of business, we may provide (i) indemnifications to our lenders, our vendors and certain other parties and (ii) performance and/or financial guarantees to local municipalities, our customers and vendors. Historically, these arrangements have not resulted in our company making any material payments and we do not believe that they will result in material payments in the future.

***Regulations and Contingencies***

On April 10, 2018, the European Commission (EC) carried out inspections at several media companies in Europe including our sports channel, Ziggo Sport. The investigation is currently ongoing. To date, Ziggo Sport has not received a Statement of Objections, setting out the EC's possible concerns.

In July 2015, Koninklijke (KPN) N.V., one of our competitors in the Netherlands, lodged an appeal against the EC decision clearing the acquisition of the Ziggo business by Liberty Global. The VodafoneZiggo JV was not a party to these proceedings. On October 26, 2017, the General Court of the EU ruled that the EC did not state sufficient reasons for not analyzing the possible vertical anti-competitive effects on the market for premium pay TV sports channels and consequently annulled the EC decision. Article 10 (5) of the Merger Regulation provides in such a case that transaction shall be re-examined by the EC with a view to adopting a new decision. In April 2018 we filed a formal re-notification of this merger with the EC. On May 30, 2018, the EC again cleared the acquisition of the Ziggo business by Liberty Global. We consider this matter to be closed.

On June 12, 2017, KPN lodged an appeal with the General Court of the EU against the EC's 2016 decision to clear the VodafoneZiggo JV between Vodafone and Liberty Global in the Netherlands. This appeal, which is still pending, can be seen as a strategic follow up to KPN's appeal against the acquisition of Ziggo by Liberty Global.

On February 27, 2018, the Authority for Consumers and Markets (ACM) published a draft decision in its Local Loop Unbundling market analysis, now called Wholesale Fixed Access - WFA, in which it aims to regulate VodafoneZiggo by imposing an obligation to offer wholesale cable access in addition to continuing existing regulation on KPN. Following a market consultation, the ACM notified the draft decision to the EC. On August 31, 2018, the EC responded, making a number of critical comments, but not rejecting the ACM's proposals (no serious doubts). ACM then published a final decision on September 28, 2018, which entered into force October 1, 2018. We have appealed this decision. A first obligation on VodafoneZiggo is to publish a reference offer before January 1 2019. VodafoneZiggo only has to invest in the implementation of cable access if there is actual demand (i.e. a signed contract with an access seeker). The actual financial impact on our business is not yet known.

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 EU 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.

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

**VODAFONEZIGGO GROUP B.V.**  
**Notes to Condensed Consolidated Financial Statements — (Continued)**  
**September 30, 2018**  
**(unaudited)**

**(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:

	<b>Three months ended</b>		<b>Nine months ended</b>	
	<b>September 30,</b>		<b>September 30,</b>	
	<b>2018</b>	<b>2017</b>	<b>2018</b>	<b>2017</b>
	<b>in millions</b>			
Consumer cable revenue (a):				
Subscription revenue	€ 498.4	€ 514.9	€ 1,484.4	€ 1,527.0
Non-subscription revenue	4.7	6.1	13.0	21.4
Total consumer cable revenue	503.1	521.0	1,497.4	1,548.4
Consumer mobile revenue (b):				
Service revenue	174.7	186.0	496.6	563.0
Non-service revenue	51.7	29.3	160.4	94.5
Total consumer mobile revenue	226.4	215.3	657.0	657.5
B2B cable revenue (c):				
Subscription revenue	103.8	95.8	302.0	278.8
Non-subscription revenue	4.3	5.5	16.8	18.6
Total B2B cable revenue	108.1	101.3	318.8	297.4
B2B mobile revenue (d):				
Service revenue	103.8	128.0	320.8	402.4
Non-service revenue	24.0	17.2	71.5	56.6
Total B2B mobile revenue	127.8	145.2	392.3	459.0
Other revenue (e)	13.1	10.8	37.1	33.4
Total	€ 978.5	€ 993.6	€ 2,902.6	€ 2,995.7

- (a) Consumer cable revenue is classified as either subscription revenue or non-subscription revenue. Consumer cable subscription revenue includes revenue from subscribers for ongoing broadband internet, video, and voice services offered to residential customers. Consumer cable non-subscription revenue includes, among other items, channel carriage fees, late fees and revenue from the sale of equipment. As described in note 2, we adopted ASU 2014-09 on January 1, 2018 using the cumulative effect transition method. For periods subsequent to our adoption of ASU 2014-09, installation revenue is generally deferred and recognized over the contractual period as consumer cable subscription revenue. For periods prior to our adoption of ASU 2014-09, installation revenue is included in consumer cable non-subscription revenue. Subscription revenue from subscribers who purchase bundled services at a discounted rate is generally allocated proportionally to each service based on the stand-alone price for each individual service. As a result, changes in the stand-alone 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) Consumer mobile revenue is classified as either service revenue or non-service revenue. Consumer mobile service revenue includes revenue from ongoing mobile and data services offered under postpaid and prepaid arrangements to residential customers. Consumer mobile non-service revenue includes, among other items, interconnect revenue, mobile handset and accessories sales and late fees.

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**Notes to Condensed Consolidated Financial Statements — (Continued)**  
**September 30, 2018**  
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- (c) B2B cable revenue is classified as either subscription revenue or non-subscription revenue. B2B cable subscription revenue includes revenue from business broadband internet, video, voice, and data services offered to SOHO, small and medium to large enterprises. B2B cable non-subscription revenue includes, among other items, revenue from hosting services, carriage fees and interconnect.
- (d) B2B mobile revenue is classified as either service revenue or non-service revenue. B2B mobile service revenue includes revenue from ongoing mobile and data services offered to SOHO, small and medium to large enterprise customers. B2B mobile non-service revenue includes, among other items, interconnect revenue, mobile handset and accessories sales and late fees.
- (e) Other revenue includes, among other items, programming and advertising revenue and revenue related to certain personnel services provided to Vodafone and 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 our condensed consolidated financial statements and the discussion and analysis included in our 2017 annual report, is intended to assist in providing an understanding of our results of operations and financial condition and is organized as follows:

- *Forward-looking Statements.* This section provides a description of certain factors that could cause actual results or events to differ materially from anticipated results or events.
- *Overview.* This section provides a general description of our business and recent events.
- *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, 2018 and 2017.
- *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 VodafoneZiggo or collectively to VodafoneZiggo and its subsidiaries.

Unless otherwise indicated, convenience translations into euros are calculated, and operational data (including subscriber statistics) is presented, as of September 30, 2018.

### 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, subscriber growth and retention rates, competitive, regulatory and economic factors, the timing and impacts of proposed transactions, the maturity of our market, the anticipated impacts of new legislation (or changes to existing rules and regulations), anticipated changes in our revenue, costs or growth rates, our liquidity, credit risks, foreign currency risks, target leverage levels, our future projected contractual commitments and cash flows and other information and statements that are not historical fact. Where, in any forward-looking statement, we express an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved or accomplished. In evaluating these statements, you should consider the risks and uncertainties in the following list, and those described herein, as some but not all of the factors that could cause actual results or events to differ materially from anticipated results or events:

- economic and business conditions and industry trends in the Netherlands;
- the competitive environment in the Netherlands for both the fixed and mobile markets, including competitor responses to our products and services for our residential and business customers;
- fluctuations in currency exchange rates and interest rates;
- instability in global financial markets, including sovereign debt issues and related fiscal reforms;
- consumer disposable income and spending levels, including the availability and amount of individual consumer debt;
- changes in consumer television viewing preferences and habits;
- changes in consumer mobile usage behavior;
- customer acceptance of our existing service offerings, including our cable television, broadband internet, fixed-line telephony, mobile and business service offerings, and of new technology, programming alternatives and other products and services that we may offer in the future;
- the outcome of governmental requests for proposals related to contracts for B2B communication services;

- our ability to manage rapid technological changes;
- our ability to maintain or increase the number of subscriptions to our cable television, broadband internet, fixed-line telephony and mobile service offerings and our average revenue per household;
- our ability to provide satisfactory customer service, including support for new and evolving products and services;
- our ability to maintain or increase rates to our subscribers or to pass through increased costs to our subscribers;
- the impact of our future financial performance, or market conditions generally, on the availability, terms and deployment of capital;
- changes in, or failure or inability to comply with, applicable laws and/or government regulations in the Netherlands and adverse outcomes from regulatory proceedings, including regulation related to interconnect rates;
- government and/or regulatory intervention that requires opening our broadband distribution network to competitors, and/or other regulatory interventions;
- our ability to obtain regulatory approval and satisfy other conditions necessary to close acquisitions and dispositions and the impact of conditions imposed by competition and other regulatory authorities in connection with acquisitions;
- our ability to successfully acquire new businesses and, if acquired, to integrate, realize anticipated efficiencies from, and implement our business plan with respect to the businesses we have acquired or with respect to the formation of the VodafoneZiggo JV;
- changes in laws or treaties relating to taxation, or the interpretation thereof, in the Netherlands;
- changes in laws and government regulations that may impact the availability and cost of capital and the derivative instruments that hedge certain of our financial risks;
- the ability of suppliers and vendors to timely deliver quality products, equipment, software, services and access;
- our ability to secure sufficient and required spectrum for our mobile service offerings in upcoming spectrum auctions;
- the availability of attractive programming for our video services and the costs associated with such programming, including retransmission and copyright fees payable to public and private broadcasters;
- uncertainties inherent in the development and integration of new business lines and business strategies;
- our ability to adequately forecast and plan future network requirements, including the costs and benefits associated with our planned network extensions;
- the availability of capital for the acquisition and/or development of telecommunications networks and services;
- problems we may discover post-closing with the operations, including the internal controls and financial reporting process, of businesses we acquire, including in relation to the VodafoneZiggo JV;
- the leakage of sensitive customer data;
- the outcome of any pending or threatened litigation;
- the loss of key employees and the availability of qualified personnel;
- changes in the nature of key strategic relationships with partners and joint ventures; 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 and our ability to effectively continue the business after such an event.

The broadband distribution and mobile service industries are changing rapidly and, therefore, the forward-looking statements of expectations, plans and intent in this quarterly report are subject to a significant degree of risk. These forward-looking statements and the above-described risks, uncertainties and other factors speak only as of the date of this quarterly report, and we expressly

disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein, to reflect any change in our expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based. Readers are cautioned not to place undue reliance on any forward-looking statement.

## Overview

### General

VodafoneZiggo is a provider of video, broadband internet, fixed-line telephony and mobile services to residential and business customers in the Netherlands.

### Operations

At September 30, 2018, we owned and operated networks that passed 7,182,100 homes and served 9,752,700 revenue generating units (**RGUs**), consisting of 3,919,400 video subscribers (including 3,389,300 enhanced video subscribers), 3,311,800 broadband internet subscribers and 2,521,500 fixed-line telephony subscribers. In addition, at September 30, 2018, we served 4,906,000 mobile subscribers, which includes 4,164,400 postpaid subscribers.

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

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
Organic RGU additions (losses):				
Video:				
Basic	(15,200)	(24,600)	(46,200)	(67,300)
Enhanced	6,800	10,100	23,100	12,300
Total video	(8,400)	(14,500)	(23,100)	(55,000)
Broadband internet	13,000	21,000	45,200	42,600
Fixed-line telephony	(16,200)	4,800	(29,900)	13,400
Total organic RGU additions (losses)	(11,600)	11,300	(7,800)	1,000
Organic mobile subscriber additions (losses):				
Postpaid net additions (losses):	50,700	(1,400)	106,300	12,400
Prepaid net losses	(6,600)	(59,600)	(88,400)	(161,400)
Total organic mobile subscriber additions (losses):	44,100	(61,000)	17,900	(149,000)

### Competition and Other External Factors

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

Our mobile and fixed-line operations are experiencing significant competition. In particular, our mobile operations continue to experience pressure on pricing, characterized by aggressive promotion campaigns, heavy marketing spend and increasing or unlimited data bundles. Furthermore, there is increasing competition from mobile virtual network operators who focus on certain niche segments such as no frill, youth or ethnic markets.

Effective June 15, 2017, consumers are able to use their mobile device when traveling in the EU, paying the same prices as at home, i.e. to "Roam like at Home." Any voice call, short message service, or "SMS," and data session made while traveling abroad in the EU will be deducted from the monthly package of minutes, SMS and data in the home country with no extra charges. As a result of this change, our revenues from intra-EU roaming have declined and are expected to continue to decline.

Further, in May 2017 the EC approved certain tariff ceilings of €0.00139 per minute for fixed and €0.005819 per minute for mobile calls effective July 12, 2017. As a result of this regulation, our fixed-line and mobile interconnect revenue has declined.

Effective May 15, 2019, the retail prices for intra EU calls and SMS messages charged to consumers will be regulated at a maximum of €0.19 per minute for calls and €0.06 per SMS message (excluding VAT).

In addition to competition, our operations are subject to macroeconomic, political and other risks that are outside of our control. For example, on June 23, 2016, the United Kingdom (U.K.) held a referendum in which U.K. citizens voted in favor of, on an advisory basis, an exit from the EU, commonly referred to as “**Brexit**.” Brexit is currently scheduled to occur on March 29, 2019. The terms of any withdrawal are subject to a negotiation period that could take until March 2019. The potential impacts, if any, of the uncertainty relating to Brexit or the resulting terms of Brexit on the free movement of goods, services, people and capital between the U.K. and the EU, customer behavior, economic conditions, interest rates, currency exchange rates, availability of capital or other matters are unclear. The effects of Brexit could adversely affect our business, results of operations, financial condition and liquidity.

### 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, 2018 and 2017. As further described in note 2 to our condensed consolidated financial statements, we adopted ASU 2014-09 on January 1, 2018 using the cumulative effect transition method. As such, the comparative information for the three and nine months ended September 30, 2017 contained within our condensed consolidated financial statements and notes thereto has not been restated and continues to be reported under the accounting standards in effect for such period. In order to provide a more meaningful comparison, in the following discussion and analysis of our results of operations, we present our revenue, operating costs and expenses and OCF (as defined below) for the three and nine months ended September 30, 2017 on a pro forma basis that gives effect to the adoption of ASU 2014-09 as if such adoption had occurred on January 1, 2017.

The following table presents (i) the impact of the adoption of ASU 2014-09 on our revenue categories and OCF for the three and nine months ended September 30, 2018 and (ii) the pro forma impact of the adoption of ASU 2014-09 on our revenue categories and OCF for the three and nine months ended September 30, 2017 as if the adoption of ASU 2014-09 had occurred on January 1, 2017.

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017 (a)	2018	2017 (a)
<b>in millions</b>				
Consumer cable revenue:				
Subscription revenue	€ (26.3)	€ (12.1)	€ (66.1)	€ (20.5)
Non-subscription revenue	(0.4)	(0.9)	(1.8)	(3.3)
Total consumer cable revenue	(26.7)	(13.0)	(67.9)	(23.8)
Consumer mobile revenue:				
Service revenue	(7.2)	(20.5)	(43.8)	(83.4)
Non-service revenue	24.9	21.6	75.8	82.4
Total consumer mobile revenue	17.7	1.1	32.0	(1.0)
B2B cable revenue:				
Subscription revenue	(0.5)	0.2	(2.6)	—
Non-subscription revenue	(1.0)	0.5	0.2	2.1
Total B2B cable revenue	(1.5)	0.7	(2.4)	2.1
B2B mobile revenue:				
Service revenue	(7.4)	(2.3)	(23.8)	(13.7)
Non-service revenue	4.7	4.7	18.0	18.8
Total B2B mobile revenue	(2.7)	2.4	(5.8)	5.1
Total revenue	€ (13.2)	€ (8.8)	€ (44.1)	€ (17.6)
OCF	€ (4.1)	€ (5.9)	€ (20.0)	€ (5.5)

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- (a) Amounts are presented on a pro forma basis that gives effect to the adoption of ASU 2014-09 as if such adoption had occurred on January 1, 2017.

### *General*

Our revenue is earned in the Netherlands and is subject to applicable VAT. Any increases in these taxes could have an adverse impact on our ability to maintain or increase our revenue to the extent that we are unable to pass such tax increases onto our customers.

We pay interconnection fees to other telephony providers when calls or text messages from our subscribers terminate on another network, and we receive similar fees from such providers when calls or text messages from their customers terminate on our network or networks. The amounts we charge and incur with respect to fixed-line telephony and mobile interconnection fees are subject to regulatory oversight. To the extent that regulatory authorities introduce fixed-line or mobile termination rate changes, we would experience prospective changes in our interconnect revenue and costs. The ultimate impact of any such changes in termination rates on our adjusted operating income before depreciation and amortization OCF would be dependent on the call or text messaging patterns that are subject to the changed termination rates. **OCF** is defined as operating income before depreciation and amortization, share-based compensation, provisions and provision releases related to significant litigation and impairment, restructuring and other operating items. Other operating items include (i) gains and losses on the disposition of long-lived assets, (ii) third-party costs directly associated with successful and unsuccessful acquisitions and dispositions, including legal, advisory and due diligence fees, as applicable, and (iii) other acquisition-related items, such as gains and losses on the settlement of contingent consideration.

We are subject to inflationary pressures with respect to certain costs and foreign currency exchange risk. 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.

### *Revenue*

We earn revenue from (i) subscribers to our consumer broadband communications and mobile services and (ii) B2B services, interconnect fees, channel carriage fees, installation fees and late fees. Consistent with the presentation of our revenue categories in note 12 to our condensed consolidated financial statements, we use the term “subscription revenue” and “service revenue” in the following discussion to refer to amounts received from subscribers for ongoing services. In the below tables, mobile service revenue excludes the related interconnect revenue.

Variances in the subscription revenue from our customers are a function of (i) changes in the number of RGUs or mobile subscribers outstanding during the period and (ii) changes in ARPU. Changes in ARPU can be attributable to (a) changes in prices, (b) changes in bundling or promotional discounts, (c) changes in the tier of services selected, (d) variances in subscriber usage patterns and (e) the overall mix of cable and mobile products during the period. In the following discussion, we provide the net impact of the above factors on the ARPU that is derived from our video, broadband internet, fixed-line telephony and mobile products.



## Financial Performance

Our financial performance for the three and nine months ended September 30, 2018 and 2017, is set forth below:

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	in millions			
	pro forma		pro forma	
Revenue	€ 978.5	€ 984.8	€ 2,902.6	€ 2,978.1
Operating costs and expenses (exclusive of depreciation and amortization, shown separately below):				
Programming and other direct costs of services	208.3	211.7	630.6	653.7
Other operating	113.5	109.3	345.6	347.3
SG&A	158.9	165.7	474.7	505.7
Charges for JV Services	56.2	58.2	169.6	175.9
Depreciation and amortization	396.4	363.7	1,164.7	1,117.0
Impairment, restructuring and other operating items, net	13.2	(2.2)	42.9	0.5
	946.5	906.4	2,828.1	2,800.1
Operating income	32.0	78.4	74.5	178.0
Non-operating income (expense):				
Interest expense:				
Third-party	(121.5)	(115.3)	(350.8)	(347.1)
Related-party	(25.6)	(28.3)	(75.5)	(84.2)
Realized and unrealized gains (losses) on derivative instruments, net	56.7	(203.7)	192.4	(525.3)
Foreign currency transaction gains (losses), net	(25.4)	161.9	(164.1)	581.3
Gains on debt modification and extinguishment, net	—	—	—	15.2
Other income, net	1.5	2.6	4.2	13.7
	(114.3)	(182.8)	(393.8)	(346.4)
Loss before income taxes	(82.3)	(104.4)	(319.3)	(168.4)
Income tax benefit	21.6	30.7	82.4	49.7
Net loss	€ (60.7)	€ (73.7)	€ (236.9)	€ (118.7)

Our revenue by major category is set forth below:

	Three months ended September 30,		Increase (decrease)	
	2018	2017	€	%
in millions, except % amounts pro forma				
Consumer cable revenue (a):				
Subscription revenue	€ 498.4	€ 502.8	€ (4.4)	(0.9)%
Non-subscription revenue	4.7	5.2	(0.5)	(9.6)%
Total consumer cable revenue	503.1	508.0	(4.9)	(1.0)%
Consumer mobile revenue (b):				
Service revenue	174.7	165.5	9.2	5.6 %
Non-service revenue	51.7	50.9	0.8	1.6 %
Total consumer mobile revenue	226.4	216.4	10.0	4.6 %
Total consumer revenue	729.5	724.4	5.1	0.7 %
B2B cable revenue (c):				
Subscription revenue	103.8	96.0	7.8	8.1 %
Non-subscription revenue	4.3	6.0	(1.7)	(28.3)%
Total B2B cable revenue	108.1	102.0	6.1	6.0 %
B2B mobile revenue (d):				
Service revenue	103.8	125.7	(21.9)	(17.4)%
Non-service revenue	24.0	21.9	2.1	9.6 %
Total B2B mobile revenue	127.8	147.6	(19.8)	(13.4)%
Total B2B revenue	235.9	249.6	(13.7)	(5.5)%
Other revenue (e)	13.1	10.8	2.3	21.3 %
Total	€ 978.5	€ 984.8	€ (6.3)	(0.6)%

	Nine months ended		Increase (decrease)	
	September 30,			
	2018	2017	€	%
in millions, except % amounts				
pro forma				
Consumer cable revenue (a):				
Subscription revenue	€ 1,484.4	€ 1,506.5	€ (22.1)	(1.5)%
Non-subscription revenue	13.0	18.1	(5.1)	(28.2)%
Total consumer cable revenue	1,497.4	1,524.6	(27.2)	(1.8)%
Consumer mobile revenue (b):				
Service revenue	496.6	479.6	17.0	3.5 %
Non-service revenue	160.4	176.9	(16.5)	(9.3)%
Total consumer mobile revenue	657.0	656.5	0.5	0.1 %
Total consumer revenue	2,154.4	2,181.1	(26.7)	(1.2)%
B2B cable revenue (c):				
Subscription revenue	302.0	278.8	23.2	8.3 %
Non-subscription revenue	16.8	20.7	(3.9)	(18.8)%
Total B2B cable revenue	318.8	299.5	19.3	6.4 %
B2B mobile revenue (d):				
Service revenue	320.8	388.7	(67.9)	(17.5)%
Non-service revenue	71.5	75.4	(3.9)	(5.2)%
Total B2B mobile revenue	392.3	464.1	(71.8)	(15.5)%
Total B2B revenue	711.1	763.6	(52.5)	(6.9)%
Other revenue (e)	37.1	33.4	3.7	11.1 %
Total	€ 2,902.6	€ 2,978.1	€ (75.5)	(2.5)%

- (a) Consumer cable revenue is classified as either subscription revenue or non-subscription revenue. Consumer cable subscription revenue includes revenue from subscribers for ongoing broadband internet, video, and voice services offered to residential customers and the recognition of deferred installation revenue over the associated contract period. Consumer cable non-subscription revenue includes, among other items, channel carriage fees, late fees and revenue from the sale of equipment. Subscription revenue from subscribers who purchase bundled services at a discounted rate is generally allocated proportionally to each service based on the stand-alone price for each individual service. As a result, changes in the stand-alone 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) Consumer mobile revenue is classified as either service revenue or non-service revenue. Consumer mobile service revenue includes revenue from ongoing mobile and data services offered under postpaid and prepaid arrangements to residential customers. Consumer mobile non-service revenue includes, among other items, interconnect revenue, mobile handset and accessories sales and late fees.
- (c) B2B cable revenue is classified as either subscription revenue or non-subscription revenue. B2B cable subscription revenue includes revenue from business broadband internet, video, voice, and data services offered to SOHO, small and medium to large enterprises. B2B cable non-subscription revenue includes, among other items, revenue from hosting services, carriage fees and interconnect.
- (d) B2B mobile revenue is classified as either service revenue or non-service revenue. B2B mobile service revenue includes revenue from ongoing mobile and data services offered to SOHO, small and medium to large enterprise customers. B2B mobile non-service revenue includes, among other items, interconnect revenue, mobile handset and accessories sales and late fees.

- (e) Other revenue includes, among other items, programming and advertising revenue and revenue related to certain personnel services provided to Vodafone and Liberty Global.

The details of the pro forma decrease in our revenue during the three and nine months ended September 30, 2018, as compared to the corresponding periods in 2017, are set forth below:

	Three-month period			Nine-month period		
	Subscription/ Service revenue	Non- subscription /Non-service revenue	Total	Subscription/ Service revenue	Non- subscription /Non-service revenue	Total
in millions						
Decrease in consumer cable subscription revenue due to change in:						
Average number of RGUs (a)	€ (2.4)	€ —	€ (2.4)	€ (7.8)	€ —	€ (7.8)
ARPU (b)	(2.0)	—	(2.0)	(14.3)	—	(14.3)
Total decrease in consumer cable non-subscription revenue	—	(0.5)	(0.5)	—	(5.1)	(5.1)
Total decrease in consumer cable revenue	(4.4)	(0.5)	(4.9)	(22.1)	(5.1)	(27.2)
Increase (decrease) in consumer mobile revenue (c)	9.2	0.8	10.0	17.0	(16.5)	0.5
Increase (decrease) in B2B cable revenue (d)	7.8	(1.7)	6.1	23.2	(3.9)	19.3
Increase (decrease) in B2B mobile revenue (e)	(21.9)	2.1	(19.8)	(67.9)	(3.9)	(71.8)
Increase in other revenue	—	2.3	2.3	—	3.7	3.7
Total	€ (9.3)	€ 3.0	€ (6.3)	€ (49.8)	€ (25.7)	€ (75.5)

- (a) The decreases in cable subscription revenue related to a change in the average number of RGUs are attributable to the net effect of (i) decreases in the average number of basic video and fixed-line telephony RGUs and (ii) increases in the average number of broadband internet and enhanced video RGUs.
- (b) The decreases in cable subscription revenue related to a change in ARPU are primarily attributable to lower ARPU from broadband internet, fixed-line telephony and video services.
- (c) The increases in mobile service revenue are primarily due to higher ARPU and increases in the average number of mobile subscribers. The decrease for the nine-month period in mobile non-service revenue is primarily due to lower intra-E.U. roaming and interconnect revenue, which is primarily attributable to EU and Mobile Termination Rates (MTR) regulations that became effective on June 15, 2017 and July 12, 2017, respectively. For additional information regarding changes in regulations related to roaming and MTR charges, see *Overview “Competition and Other External Factors”* above.
- (d) The increases in B2B cable subscription revenue are due to increases in the average number of RGUs across all our B2B segments, which are primarily driven by ongoing demand of our successful business oriented offers such as Business Internet Pro and Integrated Communication products, partially offset by slight decline in ARPU.
- (e) The decreases in B2B mobile service revenue are primarily due to adverse pricing trends associated with SOHO customers switching to consumer mobile plans, pricing pressure in Medium and Large segments and lower out-of-bundle revenue and the impact of lower intra-EU roaming revenue and interconnect revenue related to same regulation as mentioned in (c) above.

### *Programming and other direct costs of services*

*General.* Programming and other direct costs of services include programming and copyright costs, mobile access and interconnect costs, mobile handset and other equipment cost of goods sold and other direct costs related to our operations. Programming and copyright costs, which represent a significant portion of our operating costs, are subject to increase in future periods as a result of (i) higher costs associated with the expansion of our digital video content, including rights associated with ancillary product offerings and rights that provide for the broadcast of live sporting events, and (ii) rate increases. In addition we are subject to inflationary pressures with respect to our labor and other costs. Any cost increases that we are not able to pass on to our subscribers through rate increases would result in increased pressure on our operating margins.

Our programming and other direct costs of service decreased by €3.4 million or 1.6% and €23.1 million or 3.5% during the three and nine months ended September 30, 2018, respectively, as compared to the corresponding periods in 2017. These decreases include the following factors:

- Decreases in interconnect costs of €4.5 million or 8.7% and €27.1 million or 16.7%, respectively, primarily due to lower mobile and fixed-line termination rates, partially offset by increases in costs as a result of higher volumes;
- Increases in equipment costs of €7.0 million or 9.4% and €12.1 million or 5.0%, respectively, mainly due to increases in mobile handset prices, partially offset by lower sales volumes of mobile handsets and accessories and other equipment; and
- Decreases in programming and copyright costs of €3.7 million or 4.6% and €1.2 million or 0.5%, respectively, mainly due to the net effect of (i) lower costs due to the disposal of our Film 1 channels, (ii) lower costs for certain premium content and (iii) for the nine-month comparison, an increase resulting from the reassessment of certain programming and copyright accruals during the first quarter of 2018.

### *Other operating expenses*

*General.* Other operating expenses include network operations, customer operations, customer care and other costs related to our operations.

Our other operating expenses increased (decreased) by €4.2 million or 3.8% and (€1.7 million) or (0.5%) during the three and nine months ended September 30, 2018, respectively, as compared to the corresponding periods in 2017. These changes include the following factors:

- Decreases in customer services costs of €1.4 million or 7.5% and €5.9 million or 9.6%, respectively, primarily due to decreases in the number of customer service calls, partially offset by increased refurbishments and network material costs;
- Increases in network and IT costs of €4.6 million or 19.5% and €4.5 million or 6.1%, respectively, primarily due to the impact of the release of certain IT project related accruals during the third quarter of 2017;
- Increases in access costs of €1.3 million or 35.1% and €4.3 million or 34.1%, respectively, primarily due to increases in external technicians costs as a result of full digitalization in 2018; and
- Decreases in business services costs of €1.5 million or 12.5% and €2.4 million or 7.4%, respectively, primarily due to decreases in car fleet operating expenses, partially offset by increased consultancy and outsourcing costs.

### *SG&A expenses*

*General.* SG&A expenses include human resources, information technology, general services, management, finance, legal, external sales and marketing costs, share-based compensation and other general expenses.

Our SG&A expenses decreased by €6.8 million or 4.1% and €31.0 million or 6.1% during the three and nine months ended September 30, 2018, respectively, as compared to the corresponding periods in 2017. Our SG&A expenses include share-based compensation expense, which decreased €0.3 million and €2.9 million, respectively. Excluding the effects of share-based compensation expense, our SG&A expenses decreased by €6.5 million or 3.9% and €28.1 million or 5.6% respectively. These decreases include the following factors:

- Decreases in sales and marketing costs of €6.0 million or 10.3% and €18.0 million or 10.1%, respectively, primarily driven by lower sales commissions;
- Decreases in other costs of €2.7 million or 26.1 % and €5.9 million or 19.4%, respectively, primarily due to lower property costs and lower consumer credit cost;
- Decreases in customer services costs of €0.6 million or 16.8% and €2.7 million or 27.0%, respectively, primarily due to lower customer support and sales call volumes;
- Decreases in personnel costs of €1.2 million or 1.8% and €2.2 million or 1.1%, respectively, primarily due to decreases in staffing levels as a result of restructuring relating to certain reorganization and integration activities; and
- An increase (decrease) in business services costs of €1.2 million or 6.4% and (€0.9 million) or (1.7%), respectively. The increase for the three-month comparison is primarily due to an increase in consultancy costs related to marketing. The decrease for the nine-month comparison is primarily due to decreases in fleet costs, energy costs and facility management costs, partially offset by higher legal and consultancy expenses.

#### *Charges for JV Services*

We recorded charges for JV Services of €56.2 million and €169.6 million during the three and nine months ended September 30, 2018, respectively, as compared to €58.2 million and €175.9 million during the three and nine months ended September 30, 2017, respectively. For additional information regarding charges for JV Services, see note 9 to our condensed consolidated financial statements.

#### *Depreciation and amortization expense*

Our depreciation and amortization expenses increased by €32.7 million or 9.0% and €47.7 million or 4.3% during the three and nine months ended September 30, 2018, respectively, as compared to the corresponding periods in 2017. These increases are primarily due to property and equipment additions related to the expansion and upgrade of our network and accelerated depreciation associated with the closure of office locations as a part of our integration efforts.

#### *Impairment, restructuring and other operating items, net*

We recognized impairment, restructuring and other operating items, net, of €13.2 million and €42.9 million during the three and nine months ended September 30, 2018, respectively, including (i) restructuring charges of €13.4 million and €33.6 million, respectively, and (ii) impairment charges related to tangible assets of €0.1 million and €1.4 million, respectively. In addition, the amount for the 2018 nine-month period includes a loss from the disposition of assets of €2.2 million.

We recognized impairment, restructuring and other operating items, net, of (€2.2 million) and €0.5 million during the three and nine months ended September 30, 2017, respectively, including (i) restructuring charges of €3.2 million and €5.2 million, respectively, (ii) impairment charges related to tangible assets of €0.7 million and €2.4 million, respectively, (iii) gains from the disposition of assets of €3.6 million and €4.6 million, respectively, and (iv) a credit of €2.7 million recorded during the three months ended September 30, 2017 resulting from the reassessment of certain prior-year accruals.

Additional restructuring charges are expected for the remainder of 2018, due to ongoing reorganization activities associated with the closing of the JV Transaction.

#### *Interest expense—third-party*

Our third-party interest expense increased by €6.2 million or 5.4% and €3.7 million or 1.1% during the three and nine months ended September 30, 2018, as compared to the corresponding periods in 2017, due to higher average outstanding debt balances. For additional information regarding our third-party debt, see note 7 to our condensed consolidated financial statements.

It is possible that the interest rates on (i) any new borrowings could be higher than the current interest rates on our existing indebtedness and (ii) our variable-rate indebtedness could increase in future periods. As further discussed in note 4 to our condensed consolidated financial statements, we use derivative instruments to manage our interest rate risks.

In July 2017, the U.K. Financial Conduct Authority (the authority that regulates LIBOR) announced that it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. Currently, it is not possible to predict the exact transitional arrangements for calculating applicable reference rates that may be made in the U.K., the U.S., the Eurozone or elsewhere given that a number of outcomes are possible, including the cessation of the publication of one or more reference rates. Our loan documents contain provisions that contemplate alternative calculations of the base rate applicable to our LIBOR-indexed debt to the extent LIBOR is not available, which alternative calculations we do not anticipate will be materially different from what would have been calculated under LIBOR. Additionally, no mandatory prepayment or redemption provisions would be triggered under our loan documents in the event that the LIBOR rate is not available. It is possible, however, that any new reference rate that applies to our LIBOR-indexed debt could be different than any new reference rate that applies to our LIBOR-indexed derivative instruments. We anticipate managing this difference and any resulting increased variable-rate exposure through modifications to our debt and/or derivative instruments, however future market conditions may not allow immediate implementation of desired modifications and/or the company may incur significant associated costs.

#### *Interest expense-related-party*

Our related-party interest expense decreased by €2.7 million or 9.5% and €8.7 million or 10.3% during the three and nine months ended September 30, 2018, respectively, as compared to the corresponding periods in 2017. These decreases are primarily due to lower average outstanding loan balances. For additional information regarding our related-party debt, see note 10 to our condensed consolidated financial statements.

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

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2018	2017	2018	2017
	in millions			
Cross-currency and interest rate derivative contracts (a)	€ 56.7	€ (203.4)	€ 189.5	€ (524.0)
Foreign currency forward contracts	—	(0.3)	2.9	(1.3)
Total	<u>€ 56.7</u>	<u>€ (203.7)</u>	<u>€ 192.4</u>	<u>€ (525.3)</u>

- (a) The gains (losses) are primarily attributable to the net effect of gains associated with a decrease in the value of the euro relative to the U.S. dollar. In addition, the gains (losses) include a net gain (loss) of (€8.5 million) and €6.5 million during the three months ended September 30, 2018 and 2017, respectively, and net gains of €4.4 million and €73.4 million during the nine months ended September 30, 2018 and 2017, respectively, resulting from changes in credit risk valuation adjustment.

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,	
	2018	2017	2018	2017
<b>in millions</b>				
U.S. dollar-denominated debt	€ 25.7	€ 160.8	€ (164.3)	€ 560.9
Restricted cash and cash denominated in a currency other than our functional currency	(0.3)	0.2	0.4	19.4
Other	—	0.9	(0.2)	1.0
Total	€ 25.4	€ 161.9	€ (164.1)	€ 581.3

### *Gains on debt modification and extinguishment, net*

During the nine months ended September 30, 2017, we recognized a gain on debt modification and extinguishment, net, of €15.2 million related to (i) the write-off of €21.6 million of unamortized premiums and (ii) €6.4 million of deferred financing costs.

### *Income tax benefit*

We recognized an income tax benefit of €21.6 million and €30.7 million during the three months ended September 30, 2018 and 2017, respectively, and €82.4 million and €49.7 million during the nine months ended September 30, 2018 and 2017, respectively.

The income tax benefit during the three months ended September 30, 2018 and 2017 differs from the expected tax benefit of €20.6 million and €24.6 million, respectively, (based on the Dutch income tax rate of 25.0%), primarily due to the positive impact of tax benefits associated with technology innovation that was only partially offset by the negative impact of non-deductible or non-taxable interest and other expenses.

Similarly, the income tax benefit recognized during the nine months ended September 30, 2018 and 2017 differs from the expected income tax benefit of €79.8 million and €40.7 million, respectively, (based on the Dutch income tax rate of 25.0%), primarily due to the positive impact of tax benefits associated with technology innovation that was only partially offset by the negative impact of non-deductible or non-taxable interest and other expenses.

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, 2018 and 2017, we reported net losses of €60.7 million and €73.7 million, respectively, including (i) operating income of €32.0 million and €78.4 million, respectively, (ii) net non-operating expense of €114.3 million and €182.8 million, respectively, and (iii) income tax benefit of €21.6 million and €30.7 million, respectively.

During the nine months ended September 30, 2018 and 2017, we reported net losses of €236.9 million and €118.7 million, respectively, including (i) operating income of €74.5 million and €178.0 million, respectively, (ii) net non-operating expense of €393.8 million and €346.4 million, respectively, and (iii) income tax benefit of €82.4 million and €49.7 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 OCF to a level that more than offsets the aggregate amount of our (a) share-based compensation expense, (b) related-party fees pursuant to the



JV Service Agreements, (c) depreciation and amortization, (d) impairment, restructuring and other operating items, net, (e) interest expense, (f) other net non-operating expenses and (g) income tax expenses.

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

## **Material Changes in Financial Condition**

### ***Sources and Uses of Cash***

As a holding company, VodafoneZiggo's primary assets are its investments in consolidated subsidiaries. As further described in note 7 to our condensed consolidated financial statements, the terms of the instruments governing the indebtedness of certain of these subsidiaries may restrict our ability to access the assets of these subsidiaries. The ability to access the liquidity of our subsidiaries may also be limited by tax and legal considerations and other factors. At September 30, 2018, most of our €325.7 million of consolidated cash was held by our subsidiaries.

### ***Liquidity of VodafoneZiggo***

Our sources of liquidity at the parent level include, subject to the restrictions noted above, proceeds in the form of distributions or loans from our subsidiaries. It is the intention of the Shareholders of the VodafoneZiggo JV, that VodafoneZiggo will be a self-funding company capable of financing its activities on a stand-alone basis without recourse to either Shareholder. No assurance can be given that funding from our subsidiaries or external sources would be available on favorable terms, or at all.

VodafoneZiggo's corporate liquidity requirements include corporate general and administrative expenses and fees associated with the JV Service Agreements. From time to time, VodafoneZiggo may also require cash in connection with (i) the repayment of its related-party debt and interest, (ii) the funding of dividends or distributions pursuant to the Shareholders Agreement, which requires VodafoneZiggo to distribute all unrestricted cash (as defined in the Shareholders Agreement) to the Shareholders every two months (subject to VodafoneZiggo maintaining a minimum amount of cash and complying with the terms of its financing arrangements), (iii) the satisfaction of contingent liabilities, (iv) acquisitions and other investment opportunities or (v) income tax payments.

### ***Liquidity of our Subsidiaries***

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

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 VodafoneZiggo (and ultimately to the Shareholders of the VodafoneZiggo JV) or (iv) the satisfaction of contingencies. No assurance can be given that any external funding would be available to our subsidiaries on favorable terms, or at all.

### ***Capitalization***

At September 30, 2018, our outstanding third-party debt and capital lease obligations aggregated €10.8 billion, including €958.0 million that is classified as current in our condensed consolidated balance sheet and €9.8 billion 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.

As further discussed in note 4 to our condensed consolidated financial statements, we use derivative instruments to mitigate foreign currency and interest rate risk associated with our debt instruments.

Our ability to service or refinance our debt and to maintain compliance with the leverage covenants in our credit agreements and indentures is dependent primarily on our ability to maintain or increase our Covenant EBITDA and to achieve adequate returns

on our property and equipment additions and acquisitions. Pursuant to the Shareholders Agreement, we expect to maintain a leverage ratio between 4.5 and 5.0 times Covenant EBITDA. In addition, our ability to obtain additional debt financing is limited by the leverage covenants contained in the various debt instruments of our subsidiaries. In this regard, if our Covenant EBITDA were to decline, we could be required to repay or limit our borrowings under the Credit Facility in order to maintain compliance with applicable covenants. No assurance can be given that we would have sufficient sources of liquidity, or that any external funding would be available on favorable terms, or at all, to fund any such required repayment. We do not anticipate any instances of non-compliance with respect to any of our subsidiaries' debt covenants that would have a material adverse impact on our liquidity during the next 12 months.

Notwithstanding our negative working capital position at September 30, 2018, we believe that we have sufficient resources to repay or refinance the current portion of our debt and capital lease obligations and to fund our foreseeable liquidity requirements during the next 12 months. However, as our maturing debt grows in later years, we anticipate that we will seek to refinance or otherwise extend our debt maturities. No assurance can be given that we will be able to complete these refinancing transactions or otherwise extend our debt maturities. In this regard, it is not possible to predict how political and economic conditions, sovereign debt concerns or any adverse regulatory developments could impact the credit markets we access and, accordingly, our future liquidity and financial position. However, (i) the financial failure of any of our counterparties could (a) reduce amounts available under committed credit facilities and (b) adversely impact our ability to access cash deposited with any failed financial institution and (ii) tightening of the credit markets could adversely impact our ability to access debt financing on favorable terms, or at all. In addition, sustained or increased competition, particularly in combination with adverse economic or regulatory developments, could have an unfavorable impact on our cash flows and liquidity.

All of our debt and capital lease obligations at September 30, 2018 has been borrowed or incurred by our subsidiaries.

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

### ***Condensed Consolidated Statements of Cash Flows***

Our condensed consolidated statements of cash flows for the nine months ended September 30, 2018 and 2017 are summarized as follows:

	Nine months ended			
	September 30,			
	2018	2017		Change
	in millions			
Net cash provided by operating activities	€ 791.1	€ 891.2	€	(100.1)
Net cash used by investing activities	(177.5)	(355.7)		178.2
Net cash used by financing activities	(563.0)	(3,203.1)		2,640.1
Effect of exchange rate changes on cash and cash equivalents and restricted cash	0.4	19.4		(19.0)
Net increase (decrease) in cash and cash equivalents and restricted cash	€ 51.0	€ (2,648.2)	€	2,699.2

*Operating Activities.* The decrease in net cash provided by our operating activities is primarily attributable to the net effect of a decrease in the cash provided by our OCF and related working capital changes.

*Investing Activities.* The decrease in net cash used by our investing activities is primarily attributable to a decrease in cash used of €180.6 million due to lower capital expenditures mainly driven by increased purchases through our vendor financing program.

The capital expenditures that we report in our condensed consolidated statements of cash flows do not include amounts that our company has financed under vendor financing or capital lease arrangements. Instead, these amounts are reflected as non-cash additions to our property and equipment when the underlying assets are delivered and as repayments of debt when the principal is repaid. In this discussion, we refer to (i) our capital expenditures as reported in our condensed consolidated statements of cash flows, which exclude amounts financed under vendor financing or capital lease arrangements, and (ii) our total property and equipment additions, which include our capital expenditures on an accrual basis and amounts financed under capital-related vendor financing or capital lease arrangements. For further details regarding our property and equipment additions and our debt, see notes 6 and 7, respectively, to our condensed consolidated financial statements.

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

	Nine months ended September 30,	
	2018	2017
	in millions	
Property and equipment additions	€ 578.4	€ 582.9
Assets acquired under capital-related vendor financing arrangements	(400.3)	(234.9)
Assets acquired under related-party capital leases	(21.7)	—
Changes in current liabilities related to capital expenditures	21.6	10.6
Capital expenditures	<u>€ 178.0</u>	<u>€ 358.6</u>

The decrease in our property and equipment additions is primarily attributable to a decrease 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) a decrease in cash used of €2,961.0 million related to lower distributions to VodafoneZiggo Group Holding, and ultimately to Liberty Global and Vodafone, (ii) an increase of €351.7 million related to higher net repayments of third-party debt and (iii) a decrease in cash used of €159.7 million related to derivative instruments.

### Contractual Commitments

The following table sets forth the euro equivalents of our commitments as of September 30, 2018:

	Payments due during:							Total
	Remainder of 2018	2019	2020	2021	2022	2023	Thereafter	
	in millions							
Debt (excluding interest):								
Third-party	€ 299.7	€ 652.3	€ 71.7	€ —	€ —	€ —	€ 9,746.7	€10,770.4
Related-party	200.0	200.0	—	—	—	—	1,400.0	1,800.0
Capital leases (excluding interest):								
Third-party	6.0	7.0	3.4	1.8	0.7	0.1	—	19.0
Related-party	0.1	0.2	—	—	—	—	—	0.3
JV Service Agreements (a)	53.8	160.0	139.5	109.8	109.7	30.0	60.0	662.8
Programming commitments	35.4	95.2	82.5	33.4	0.6	—	—	247.1
Network and connectivity commitments	18.1	46.0	43.0	38.5	27.1	16.3	51.0	240.0
Operating leases	6.7	33.1	29.0	24.8	16.3	15.4	47.4	172.7
Purchase commitments	115.3	1.0	0.9	0.9	—	—	—	118.1
Other commitments	2.4	16.8	9.9	2.5	1.3	—	—	32.9
Total (b)	<u>€ 737.5</u>	<u>€1,211.6</u>	<u>€ 379.9</u>	<u>€ 211.7</u>	<u>€ 155.7</u>	<u>€ 61.8</u>	<u>€11,305.1</u>	<u>€14,063.3</u>
Projected cash interest payments on debt and capital lease obligations (c):								
Third-party	€ 229.0	€ 466.0	€ 466.8	€ 463.4	€ 463.3	€ 454.6	€ 951.2	€ 3,494.3
Related-party	25.5	90.0	79.0	78.8	78.8	78.8	315.1	746.0
Total	<u>€ 254.5</u>	<u>€ 556.0</u>	<u>€ 545.8</u>	<u>€ 542.2</u>	<u>€ 542.1</u>	<u>€ 533.4</u>	<u>€ 1,266.3</u>	<u>€ 4,240.3</u>

- (a) Amounts represent fixed minimum charges from Liberty Global and Vodafone pursuant to the JV Service Agreements. In addition to the fixed minimum charges, the JV Service Agreements provide for certain JV Services to be charged to us based upon usage of the services received. The fixed minimum charges set forth in the table above exclude fees for the usage-based services as these fees will vary from period to period. Accordingly, we expect to incur charges in addition to those set forth in the table above for usage-based services. For additional information concerning the JV Service Agreements, see note 9 to our condensed consolidated financial statements.
- (b) The commitments included in this table do not reflect any liabilities that are included in our September 30, 2018 condensed consolidated balance sheet other than debt and capital lease obligations.
- (c) Amounts include interest payments on third-party debt and capital lease obligations, as well as estimated interest payments on the Liberty Global Note and the Vodafone Note. Amounts related to third-party debt are based on interest rates, interest payment dates, commitment fees and contractual maturities in effect as of September 30, 2018. These amounts are presented for illustrative purposes only and will likely differ from the actual cash payments required in future periods. In addition, the amounts presented do not include the impact of our interest rate derivative contracts, deferred financing costs or original issue premiums or discounts.

For additional information concerning our debt and capital lease obligations, see note 7 to our condensed consolidated financial statements. For additional information concerning the Liberty Global Note and the Vodafone Note, see note 9 to our condensed consolidated financial statements. For information concerning our commitments, see note 11 to our condensed consolidated financial statements.

In addition to the commitments set forth in the table above, we have commitments under (i) derivative instruments and (ii) multiemployer benefit plans, pursuant to which we expect to make payments in future periods. For information regarding projected cash flows associated with these derivative instruments, see *Projected Cash Flows Associated with Derivative Instruments* below. For information regarding our derivative instruments, including the net cash paid or received in connection with these instruments during the nine months ended September 30, 2018 and 2017, see note 4 to our condensed consolidated financial statements.

#### ***Projected Cash Flows Associated with Derivative Instruments***

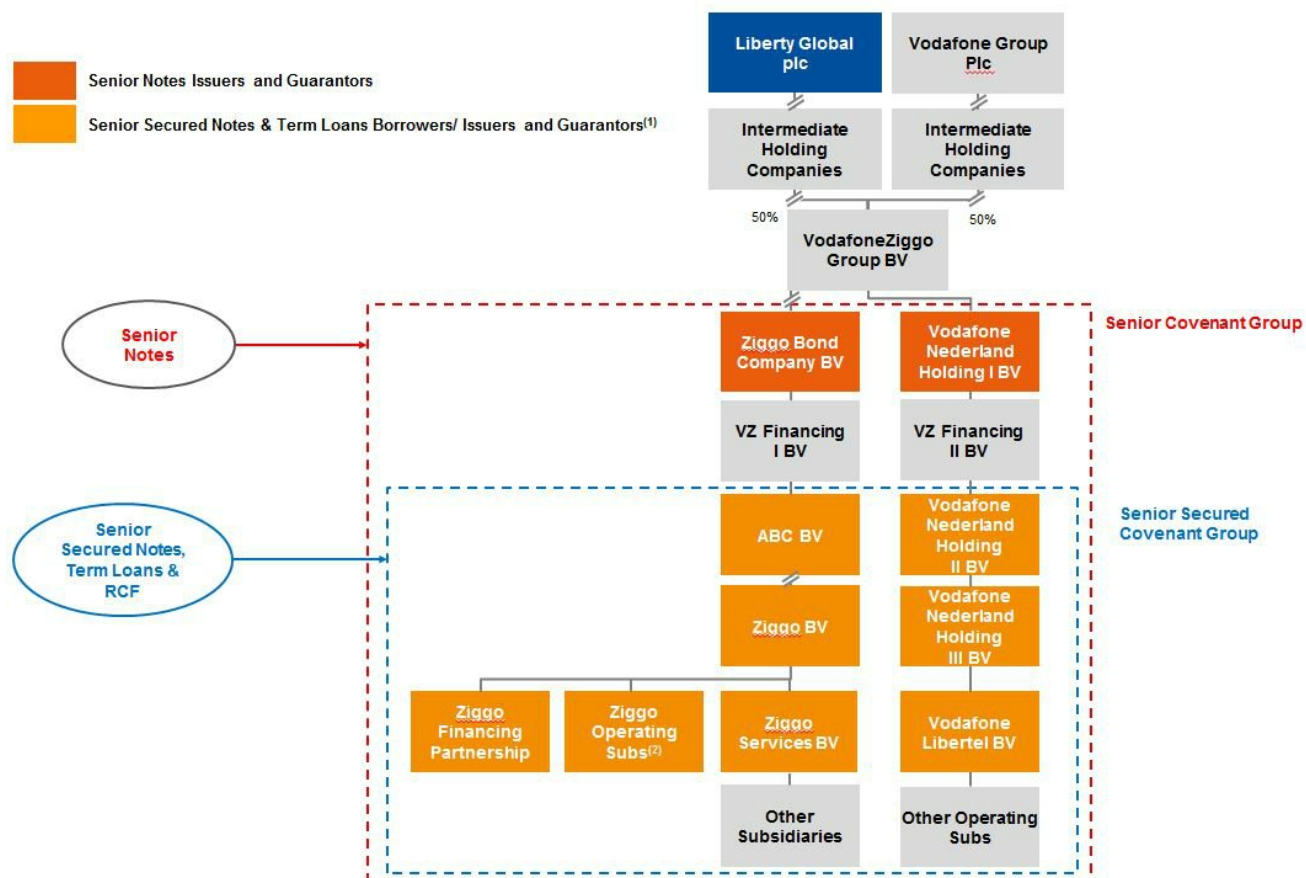
The following table provides information regarding the projected cash flows associated with our derivative instruments. The euro equivalents presented below are based on interest rates and exchange rates that were in effect as of September 30, 2018. These amounts are presented for illustrative purposes only and will likely differ from the actual cash receipts/payments in future periods. For additional information regarding our derivative instruments, including our counterparty credit risk, see note 4 to our condensed consolidated financial statements.

	Receipts /(Payments) due during:						
	Remainder of 2018	2019	2020	2021	2022	Thereafter	Total
	in millions						
Projected derivative cash receipts, net:							
Interest-related (a)	€ (29.9)	€ 9.4	€ 13.7	€ 14.0	€ 14.2	€ 17.9	€ 39.3
Principal-related (b)	—	—	—	—	—	108.2	108.2
Total	€ (29.9)	€ 9.4	€ 13.7	€ 14.0	€ 14.2	€ 126.1	€ 147.5

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

## APPENDIX

The following chart provides our simplified corporate structure after giving effect to certain mergers and transactions that were completed during the first quarter of 2018:



- (1) Not all senior secured guarantors are depicted  
 (2) Not all operating subsidiaries are senior secured guarantors