



VodafoneZiggo Group B.V.

**Quarterly Report
September 30, 2023**

**VodafoneZiggo Group B.V.
Boven Vredenburgpassage 128,
3511 WR Utrecht
The Netherlands**

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

	September 30, 2023	December 31, 2022
	in millions	
ASSETS		
Current assets:		
Cash and cash equivalents	€ 71.2	€ 93.6
Trade receivables, net (note 3)	157.5	154.9
Related-party receivables (note 10)	38.1	47.4
Prepaid expenses	54.9	40.8
Derivative instruments (note 4)	238.5	170.1
Contract assets (note 3)	157.0	152.6
Other current assets, net (note 3)	101.8	102.1
Total current assets	819.0	761.5
Property and equipment, net (notes 6 and 8)	4,769.3	4,780.1
Goodwill (note 6)	7,375.5	7,375.5
Intangible assets subject to amortization, net (note 6)	4,039.8	4,505.9
Long-term derivative instruments (note 4)	929.1	968.9
Other assets, net (notes 3 and 8)	455.3	479.3
Total assets	€ 18,388.0	€ 18,871.2

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

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

	<u>September 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
<u>in millions</u>		
LIABILITIES AND OWNER'S EQUITY		
Current liabilities:		
Accounts payable (note 10)	€ 335.4	€ 453.8
Deferred revenue and advance payments from subscribers and others (note 3)	213.8	205.8
Value-added taxes (VAT) payable	137.8	126.6
Accrued interest (note 7)	114.0	148.3
Current portion of third-party debt and finance lease obligations (notes 7 and 8)	1,115.4	1,107.0
Accrued and other current liabilities (notes 4, 8, 9 and 10)	498.2	497.3
Total current liabilities	2,414.6	2,538.8
Long-term debt and finance lease obligations (notes 7 and 8):		
Third-party	10,287.8	10,218.0
Related-party (note 10)	1,815.8	1,815.8
Deferred income taxes	1,110.3	1,227.1
Other long-term liabilities (notes 3, 4 and 8)	365.1	419.4
Total liabilities	15,993.6	16,219.1
Commitments and contingencies (notes 4, 10 and 11)		
Total owner's equity	2,394.4	2,652.1
Total liabilities and owner's equity	€ 18,388.0	€ 18,871.2

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

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
	in millions			
Revenue (notes 3, 10 and 12)	€ 1,034.3	€ 1,033.1	€ 3,043.4	€ 3,040.5
Operating costs and expenses (exclusive of depreciation and amortization, shown separately below):				
Programming and other direct costs of services (note 10)....	203.5	219.2	608.6	629.0
Other operating (note 10)	131.0	110.5	410.0	349.1
Selling, general and administrative (SG&A) (note 10)	171.8	158.7	508.0	466.3
Charges for JV Services (note 10)	51.5	48.0	155.5	159.0
Depreciation and amortization	390.0	381.1	1,154.4	1,141.8
Impairment, restructuring and other operating items, net	5.3	4.0	41.3	9.0
	<u>953.1</u>	<u>921.5</u>	<u>2,877.8</u>	<u>2,754.2</u>
Operating income	<u>81.2</u>	<u>111.6</u>	<u>165.6</u>	<u>286.3</u>
Non-operating income (expense):				
Interest expense:				
Third-party	(160.8)	(121.7)	(460.4)	(333.5)
Related-party (note 10)	(25.7)	(25.7)	(76.4)	(76.4)
Realized and unrealized gains on derivative instruments, net (note 4)	212.1	683.9	135.3	1,636.5
Foreign currency transaction losses, net	(182.2)	(421.2)	(70.5)	(892.7)
Losses on debt extinguishment, net (note 7)	—	—	—	(71.1)
Other income (expense), net	—	0.2	(0.4)	0.5
	<u>(156.6)</u>	<u>115.5</u>	<u>(472.4)</u>	<u>263.3</u>
Earnings (loss) before income taxes	<u>(75.4)</u>	<u>227.1</u>	<u>(306.8)</u>	<u>549.6</u>
Income tax benefit (expense) (note 9)	17.1	(60.5)	49.1	(182.8)
Net earnings (loss)	<u>€ (58.3)</u>	<u>€ 166.6</u>	<u>€ (257.7)</u>	<u>€ 366.8</u>

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

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

	<u>Share capital</u>	<u>Additional paid-in capital</u>	<u>Accumulated deficit</u>	<u>Total</u>
	in millions			
Balance at January 1, 2022	€ 0.01	€ 3,715.6	€ (937.7)	€ 2,777.9
Net earnings	—	—	64.4	64.4
Distributions to VodafoneZiggo Group Holding (note 10)	—	(170.0)	—	(170.0)
Other	—	(0.1)	—	(0.1)
Balance at March 31, 2022	0.01	3,545.5	(873.3)	2,672.2
Net earnings	—	—	135.8	135.8
Distributions to VodafoneZiggo Group Holding (note 10)	—	(90.0)	—	(90.0)
Other	—	(0.2)	—	(0.2)
Balance at June 30, 2022	0.01	3,455.3	(737.5)	2,717.8
Net earnings	—	—	166.6	166.6
Distributions to VodafoneZiggo Group Holding (note 10)	—	(90.0)	—	(90.0)
Other	—	0.1	—	0.1
Balance at September 30, 2022	<u>€ 0.01</u>	<u>€ 3,365.4</u>	<u>€ (570.9)</u>	<u>€ 2,794.5</u>

	<u>Share capital</u>	<u>Additional paid-in capital</u>	<u>Accumulated deficit</u>	<u>Total</u>
	in millions			
Balance at January 1, 2023	€ 0.01	€ 3,215.4	€ (563.3)	€ 2,652.1
Net loss	—	—	(82.0)	(82.0)
Balance at March 31, 2023	0.01	3,215.4	(645.3)	2,570.1
Net loss	—	—	(117.4)	(117.4)
Balance at June 30, 2023	0.01	3,215.4	(762.7)	2,452.7
Net loss	—	—	(58.3)	(58.3)
Balance at September 30, 2023	<u>€ 0.01</u>	<u>€ 3,215.4</u>	<u>€ (821.0)</u>	<u>€ 2,394.4</u>

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,	
	2023	2022
	in millions	
Cash flows from operating activities:		
Net earnings (loss)	€ (257.7)	€ 366.8
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:		
Depreciation and amortization	1,154.4	1,141.8
Impairment, restructuring and other operating items, net	41.3	9.0
Amortization of debt premiums, deferred financing costs and non-cash interest	5.0	5.0
Realized and unrealized gains on derivative instruments, net	(135.3)	(1,636.5)
Foreign currency transaction losses, net	70.5	892.7
Losses on debt extinguishment, net	—	71.1
Deferred income tax expense (benefit)	(116.8)	78.5
Changes in operating assets and liabilities	41.1	23.9
Net cash provided by operating activities	802.5	952.3
Cash flows from investing activities:		
Capital expenditures	(484.0)	(391.9)
Other investing activities, net	2.0	0.4
Net cash used by investing activities	€ (482.0)	€ (391.5)

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,	
	2023	2022
	in millions	
Cash flows from financing activities:		
Borrowings of third-party debt	€ 633.5	€ 131.8
Operating-related vendor financing additions	558.6	521.8
Repayments of third-party debt and finance lease obligations:		
Debt (excluding vendor financing)	(636.4)	(86.9)
Principal payments on operating-related vendor financing	(556.3)	(498.0)
Principal payments on capital-related vendor financing	(332.6)	(365.7)
Principal payments on finance leases	(5.9)	(6.2)
Distributions to VodafoneZiggo Group Holding	—	(350.0)
Payment of financing costs and debt premiums	—	(63.5)
Other financing activities, net	(0.9)	(0.8)
Net cash used by financing activities	(340.0)	(717.5)
Effect of exchange rate changes on cash and cash equivalents and restricted cash		
	(0.1)	1.5
Net decrease in cash and cash equivalents and restricted cash	(19.6)	(155.2)
Cash and cash equivalents and restricted cash:		
Beginning of period	99.9	247.3
End of period	€ 80.3	€ 92.1
Cash paid for interest:		
Cash paid for third-party interest	€ 487.6	€ 378.6
Cash paid for related-party interest	76.4	76.4
Total	€ 564.0	€ 455.0
Cash paid for income taxes	€ 146.6	€ 89.9
Details of end of period cash and cash equivalents and restricted cash:		
Cash and cash equivalents	€ 71.2	€ 85.4
Restricted cash included in other current assets, net	9.1	6.7
Total cash and cash equivalents and restricted cash	€ 80.3	€ 92.1

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, 2023
(unaudited)

(1) Basis of Presentation

VodafoneZiggo Group B.V. (**VodafoneZiggo**) provides fixed, mobile and integrated communication and entertainment services to consumers and businesses in the Netherlands. 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 (**GAAP**) and do not include all of the information required by 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 GAAP 2022 consolidated financial statements and notes thereto included in our 2022 annual report.

The preparation of financial statements in conformity with 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 allowances for uncollectible accounts, certain components of revenue, programming and copyright expenses, deferred income taxes and related valuation allowances, loss contingencies, fair value measurements, impairment assessments, capitalization of internal costs associated with construction and installation activities and the development of internal-use software and useful lives of long-lived assets. 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, 2023.

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 15, 2023, the date of issuance.

(2) Accounting Changes

ASU 2022-04

In September 2022, the Financial Accounting Standards Board (the **FASB**) issued Accounting Standards Update (**ASU**) No. 2022-04, *Liabilities—Supplier Finance Programs (ASU 2022-04)*, which requires additional disclosures for buyers participating in supplier financing programs, which we refer to as vendor financing, including (1) the key terms of the arrangement, (2) the confirmed amount outstanding at the end of the period, (3) the balance sheet presentation of related amounts and (4) a reconciliation of the balances from period to period. We adopted ASU 2022-04 on January 1, 2023, and such adoption did not have a significant impact on our consolidated financial statements. For additional information regarding our vendor financing obligations, see note 7.

ASU 2020-04

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform: Facilitation of the Effects of Reference Rate Reform on Financial Reporting (ASU 2020-04)*, which provides, for a limited time, optional expedients and exceptions for certain contract modifications that reference the London Interbank Offered Rate (**LIBOR**) or another reference rate expected to be discontinued. In December 2022, the FASB deferred the expiration date of ASU 2020-04 from December 31, 2022 to December 31, 2024. In accordance with the optional expedients in ASU 2020-04, we have modified all applicable debt agreements to replace LIBOR with another reference rate and applied the practical expedient to account for the modification as

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Notes to Condensed Consolidated Financial Statements — (Continued)
September 30, 2023
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a continuation of the existing contract. The use of optional expedients in ASU 2020-04 has not had a significant impact on our consolidated financial statements to date. For additional information regarding our debt, see note 7.

(3) Revenue Recognition and Related Costs

Contract Balances

The timing of revenue recognition may differ from the timing of invoicing to 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 €26.5 million and €23.8 million at September 30, 2023 and December 31, 2022, 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 delivery of a handset that is paid for over the duration of the contract period or the uniform recognition of introductory promotional discounts over the contract period. Our contract assets were €217.2 million and €210.7 million as of September 30, 2023 and December 31, 2022, respectively, and are reported net of an allowance for doubtful accounts. Such allowance aggregated €5.1 million and €5.5 million at September 30, 2023 and December 31, 2022, respectively. The long-term portion of our contract asset balance is included within other assets, net, on our condensed consolidated balance sheets.

We record deferred revenue when we receive payment prior to transferring goods or services to a customer. We primarily defer revenue for (i) services that are invoiced prior to when they are provided and (ii) installation and other upfront services. Our deferred revenue balances were €216.9 million and €208.3 million as of September 30, 2023 and December 31, 2022, respectively. The current and long-term portion of our deferred revenue balances are included within deferred revenue and advance payment from subscribers and others and other long-term liabilities, respectively, on our condensed consolidated balance sheets.

Contract Costs

Our aggregate assets associated with incremental costs to obtain and fulfill our contracts were €69.6 million and €67.3 million at September 30, 2023 and December 31, 2022, respectively. The current and long-term portions of our assets related to contract costs are included within other current assets, net, and other assets, net, respectively, on our condensed consolidated balance sheets. We amortized €20.6 million and €60.1 million during the three and nine months ended September 30, 2023, respectively, and €18.6 million and €61.7 million during the three and nine months ended September 30, 2022, respectively, to operating cost and expenses related to these assets.

Unsatisfied Performance Obligations

A large portion of our revenue is derived from customers whose initial contracts have been extended and now have a one month notice period. Revenue from customers who are subject to initial contracts is recognized over the term of such contracts, which is generally 12-24 months for our residential contracts and one to five years for our business-to-business (**B2B**) service contracts.

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Notes to Condensed Consolidated Financial Statements — (Continued)
September 30, 2023
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(4) Derivative Instruments

In general, we 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, 2023			December 31, 2022		
	Current (a)	Long-term (b)	Total	Current (a)	Long-term (b)	Total
	in millions					
Assets:						
Cross-currency and interest rate derivative contracts (c).....	€ 238.2	€ 929.0	€ 1,167.2	€ 170.1	€ 968.9	€ 1,139.0
Foreign currency forward contracts	0.3	0.1	0.4	—	—	—
Total	€ 238.5	€ 929.1	€ 1,167.6	€ 170.1	€ 968.9	€ 1,139.0
Liabilities:						
Cross-currency and interest rate derivative contracts (c).....	€ 93.7	€ 53.2	€ 146.9	€ 41.2	€ 67.0	€ 108.2
Foreign currency forward contracts	0.1	—	0.1	0.2	—	0.2
Total	€ 93.8	€ 53.2	€ 147.0	€ 41.4	€ 67.0	€ 108.4

- (a) Our current derivative liabilities are included in accrued and other current liabilities on our condensed consolidated balance sheets.
- (b) Our long-term derivative liabilities are included in other long-term liabilities on our condensed consolidated balance sheets.
- (c) We consider credit risk relating to our and our counterparties' non-performance 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 net losses of €8.7 million and €51.0 million during the three months ended September 30, 2023 and 2022, respectively, and a net gain (loss) of €9.5 million and (€58.3 million) during the nine months ended September 30, 2023 and 2022, respectively. These amounts are included in realized and unrealized gains 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 on derivative instruments, net, are as follows:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
	in millions			
Cross-currency and interest rate derivative contracts	€ 211.5	€ 683.4	€ 134.8	€ 1,635.3
Foreign currency forward contracts	0.6	0.5	0.5	1.2
Total	€ 212.1	€ 683.9	€ 135.3	€ 1,636.5

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Notes to Condensed Consolidated Financial Statements — (Continued)
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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. The classification of these net cash inflows is as follows:

	Nine months ended			
	September 30,			
	2023		2022	
	in millions			
Operating activities	€	145.2	€	34.7
Financing activities		—		1.8
Total	€	145.2	€	36.5

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, however notwithstanding, given the size of our derivative portfolio, the default of certain counterparties could have a significant impact on our consolidated statements of operations. Collateral is generally not posted by either party under our derivative instruments. At September 30, 2023, our exposure to counterparty credit risk included derivative assets with an aggregate fair value of €1,034.2 million.

Details of our Derivative Instruments

Cross-currency Derivative Contracts

We generally match the denomination of our borrowings with the functional currency of the supporting operations or, when it is more cost effective, we 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, 2023, 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 derivative contracts at September 30, 2023:

	Notional amount due from counterparty (a)		Notional amount due to counterparty		Weighted average remaining life
	in millions				in years
\$	8,096.0	€	6,944.5		3.8
€	872.1	\$	980.0		1.3

- (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, 2023, the total euro equivalent of the notional amounts due from counterparties of these derivative instruments was €1,463.0 million.

Interest Rate Swap Contracts

As noted above, we enter into interest rate swap contracts 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, 2023, the notional amounts due from counterparties was €3,142.4 million and the related weighted average remaining contractual life of our interest rate swap contracts was 5.1 years.

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Notes to Condensed Consolidated Financial Statements — (Continued)
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Interest Rate Caps, Floors and Collars

From time to time, we enter into interest rate cap, floor and collar agreements. Purchased interest rate caps and collars lock in a maximum interest rate if variable rates rise, but also allow our company to benefit, to a limited extent in the case of collars, from declines in market rates. Purchased interest rate floors protect us from interest rates falling below a certain level, generally to match a floating rate floor on a debt instrument. At September 30, 2023, we had no interest rate collar agreements, and the total euro equivalent of notional amounts of our interest rate caps and floors were €205.0 million and €4,637.1 million, respectively.

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, 2023, the euro equivalent of the notional amount due from the counterparty was €2,387.1 million and the related weighted average remaining contractual life of our interest basis swap contracts was 0.1 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 177 basis points to our borrowing costs as of September 30, 2023.

Foreign Currency Forwards

We enter into foreign currency forward contracts with respect to non-functional currency exposure. At September 30, 2023, the euro equivalent of the notional amount of our foreign currency forward contracts was €24.0 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, 2023 are unlikely to represent the value that will be paid or received upon the ultimate settlement or disposition of these assets and liabilities.

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, 2023, no such transfers were made.

We use a Monte Carlo based approach to incorporate a credit risk valuation adjustment in our fair value measurements to estimate the impact of both our own non-performance risk and the non-performance risk of our counterparties. Our credit risk valuation adjustments with respect to our cross-currency and interest rate swap contracts are quantified and further explained in note 4.

Fair value measurements are also used for non-recurring valuations performed in connection with impairment assessments and acquisition accounting. During the nine months ended September 30, 2023 and 2022, we did not perform any significant non-recurring fair value measurements.

For additional information concerning our fair value measurements, see note 6 to the consolidated financial statements included in our 2022 annual report.

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September 30, 2023
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A summary of our assets and liabilities that are measured at fair value on a recurring basis is as follows:

	<u>September 30,</u> <u>2023 (a)</u>	<u>December 31,</u> <u>2022 (a)</u>
	<u>in millions</u>	
Assets:		
Cross-currency and interest rate derivative contracts	€ 1,167.2	€ 1,139.0
Foreign currency forward contracts	0.4	—
Total	<u>€ 1,167.6</u>	<u>€ 1,139.0</u>
Liabilities:		
Cross-currency and interest rate derivative contracts	€ 146.9	€ 108.2
Foreign currency forward contracts	0.1	0.2
Total	<u>€ 147.0</u>	<u>€ 108.4</u>

(a) At September 30, 2023 and December 31, 2022, we used significant other observable inputs (Level 2) to measure all of our fair value assets and liabilities.

(6) Long-lived Assets

Property and Equipment, Net

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

	<u>September 30,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
	<u>in millions</u>	
Distribution systems	€ 6,130.2	€ 5,824.5
Support equipment, buildings and land	1,099.2	1,071.7
Customer premises equipment	1,039.4	974.0
	<u>8,268.8</u>	<u>7,870.2</u>
Accumulated depreciation	<u>(3,499.5)</u>	<u>(3,090.1)</u>
Total property and equipment, net	<u>€ 4,769.3</u>	<u>€ 4,780.1</u>

During the nine months ended September 30, 2023 and 2022, we recorded non-cash increases to our property and equipment related to vendor financing arrangements of €293.4 million and €320.6 million, respectively, which exclude related VAT of €37.0 million and €17.2 million, respectively, that were also financed by our vendors under these arrangements.

Goodwill

Our goodwill represents the equity of the VodafoneZiggo JV contributed businesses in excess of the fair value of our net identifiable assets and liabilities. There were no changes in the carrying amount of our goodwill during the nine months ended September 30, 2023.

If, among other factors, the adverse impact of economic, competitive, regulatory or other factors were to cause our operations or cash flows to be worse than anticipated, or if our weighted average cost of capital increases, we could conclude in future periods that impairment charges are required in order to reduce the carrying values of our goodwill, and, to a lesser extent, other long-lived assets. Any such impairment charges could be significant.

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Intangible Assets Subject to Amortization, Net

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

	September 30, 2023			December 31, 2022		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
	in millions					
Customer relationships.....	€ 6,420.0	€ (3,441.7)	€ 2,978.3	€ 6,420.0	€ (3,059.4)	€ 3,360.6
Licenses.....	1,470.9	(606.5)	864.4	1,470.9	(530.8)	940.1
Trade name.....	270.0	(72.9)	197.1	270.0	(64.8)	205.2
Total.....	€ 8,160.9	€ (4,121.1)	€ 4,039.8	€ 8,160.9	€ (3,655.0)	€ 4,505.9

(7) Debt

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

	September 30, 2023		Principal amount	
	Weighted average interest rate (a)	Unused borrowing capacity (b)	September 30, 2023	December 31, 2022
	in millions			
Senior and Senior Secured Notes.....	4.44 %	€ —	€ 5,594.7	€ 5,551.9
Credit Facilities (c) (d).....	7.53 %	800.0	4,644.4	4,625.1
Vendor financing (e).....	3.88 %	—	999.6	999.5
Other debt.....	4.69 %	—	175.9	168.4
Total principal amount of third-party debt before premiums, discounts and deferred financing costs (f).....	5.64 %	€ 800.0	€ 11,414.6	€ 11,344.9

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

	September 30, 2023	December 31, 2022
	in millions	
Total principal amount of third-party debt before deferred financing costs, discounts and premiums.....	€ 11,414.6	€ 11,344.9
Deferred financing costs, discounts and premiums, net.....	(31.9)	(35.7)
Total carrying amount of third-party debt.....	11,382.7	11,309.2
Third-party finance lease obligations (note 8).....	20.5	15.8
Total carrying amount of third-party debt and finance lease obligations.....	11,403.2	11,325.0
Related-party debt (note 10).....	1,815.8	1,815.8
Total debt and finance lease obligations.....	13,219.0	13,140.8
Current portion of debt and finance lease obligations.....	(1,115.4)	(1,107.0)
Long-term debt and finance lease obligations.....	€ 12,103.6	€ 12,033.8

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- (a) Represents the weighted average interest rate in effect at September 30, 2023 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 3.96% at September 30, 2023. For information regarding our derivative instruments, see note 4.
- (b) The Credit Facilities include a revolving facility with a maximum borrowing capacity of €800.0 million, which was undrawn at September 30, 2023. Unused borrowing capacity represents the maximum availability under the Credit Facilities at September 30, 2023 without regard to covenant compliance calculations or other conditions precedent to borrowing. At September 30, 2023, in accordance with the terms of the Credit Facilities, the full €800.0 million of unused borrowing capacity was available to be borrowed and there were no additional restrictions on our ability to make loans or distributions from this availability. Upon completion of the relevant September 30, 2023 compliance reporting requirements and, in accordance with the terms of the Credit Facilities, we expect that the full amount of unused borrowing capacity will continue to be available to be borrowed and that there will be no additional restrictions with respect to loans or distributions from this availability. Our above expectations do not consider any actual or potential changes in our borrowing levels or any amounts loaned or distributed subsequent to September 30, 2023, or the full impact of additional amounts that may be available to borrow, loan or distribute under certain defined baskets under the Credit Facilities.
- (c) Principal amounts include €7.3 million and €17.6 million at September 30, 2023 and December 31, 2022, respectively, of borrowings pursuant to an excess cash facility (**Financing Facility**) under the Credit Facilities. These borrowings are owed to a non-consolidated special purpose financing entity that has issued notes to finance the purchase of receivables due from our company to certain other third parties for amounts that we and our subsidiaries have vendor financed. To the extent that the proceeds from these notes exceed the amount of vendor financed receivables available to be purchased, the excess proceeds are used to fund this Financing Facility. During 2023, the Credit Facilities were amended to replace LIBOR with the Term Secured Overnight Financing Rate (**Term SOFR**) as the reference rate for U.S. dollar-denominated loans.
- (d) The revolving facility bears interest at a rate of EURIBOR plus 2.75% (subject to a margin ratchet) and has a fee on unused commitments of 40% of such margin per year.
- (e) Represents amounts owed to various creditors pursuant to interest-bearing vendor financing arrangements that are used to finance certain of our property and equipment additions and operating expenses. These arrangements extend our repayment terms beyond a vendor's original due dates (e.g. extension beyond a vendor's customary payment terms, which are generally 90 days or less) and as such are classified outside of accounts payable as debt on our condensed consolidated balance sheets. These obligations are generally due within one year and include VAT that was also financed under these arrangements. For purposes of our condensed consolidated statements of cash flows, operating-related expenses financed by an intermediary are treated as constructive operating cash outflows and constructive financing cash inflows when the intermediary settles the liability with the vendor as there is no actual cash outflow until we pay the financing intermediary. During the nine months ended September 30, 2023 and 2022, the constructive cash outflow included in cash flows from operating activities and the corresponding constructive cash inflow included in cash flows from financing activities related to these operating expenses were €558.6 million and €521.8 million, respectively. Repayments of vendor financing obligations at the time we pay the financing intermediary are included in repayments and repurchases of debt and finance lease obligations in our condensed consolidated statements of cash flows.
- (f) At September 30, 2023 and December 31, 2022, our third party debt had an estimated fair value of €10.1 billion. 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). For additional information regarding fair value hierarchies, see note 5.

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Maturities of Debt

The euro equivalents of the maturities of our debt as of September 30, 2023 are presented below:

	<u>Third-party</u>	<u>Related-party</u>	<u>Total</u>
	in millions		
Year ending December 31:			
2023 (remainder of year)	€ 326.3	€ —	€ 326.3
2024	799.6	—	799.6
2025	54.6	—	54.6
2026	—	—	—
2027	590.9	—	590.9
2028	2,387.1	—	2,387.1
Thereafter	7,256.1	1,815.8	9,071.9
Total debt maturities (a)	11,414.6	1,815.8	13,230.4
Deferred financing costs, discounts and premiums, net	(31.9)	—	(31.9)
Total debt	<u>€ 11,382.7</u>	<u>€ 1,815.8</u>	<u>€ 13,198.5</u>
Current portion	<u>€ 1,108.4</u>	<u>€ —</u>	<u>€ 1,108.4</u>
Long-term portion	<u>€ 10,274.3</u>	<u>€ 1,815.8</u>	<u>€ 12,090.1</u>

(a) Third-party amounts include vendor financing obligations of €999.6 million, as set forth below (in millions):

Year ending December 31:	
2023 (remainder of year)	€ 306.9
2024	692.7
Total vendor financing maturities (1)	<u>€ 999.6</u>
Current portion	<u>€ 999.6</u>
Long-term portion	<u>€ —</u>

- (1) VZ Vendor Financing II B.V. (**VZ Vendor Financing II**), a third-party special purpose financing entity that is not consolidated by VodafoneZiggo, has issued an aggregate €700.0 million in notes maturing in January 2029 (the **Vendor Financing II Notes**). The net proceeds from the Vendor Financing II Notes are used by VZ Vendor Financing II to purchase from various third parties certain vendor-financed receivables owed by our company. To the extent that the proceeds from the Vendor Financing II Notes exceed the amount of vendor-financed receivables available to be purchased, the excess proceeds are used to fund the Financing Facility. As additional vendor-financed receivables become available for purchase, VZ Vendor Financing II can request that we repay any amounts made available under the Financing Facility.

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Vendor Financing Obligations

A reconciliation of the beginning and ending balances of our vendor financing obligations for the indicated periods is set forth below:

	<u>2023</u>	<u>2022</u>
	<u>in millions</u>	
Balance at January 1	€ 999.5	€ 999.7
Operating-related vendor financing additions	558.6	521.8
Capital-related vendor financing additions	293.4	320.6
Principal payments on operating-related vendor financing	(556.3)	(498.0)
Principal payments on capital-related vendor financing	(332.6)	(365.7)
Other	37.0	17.5
Balance at September 30	<u>€ 999.6</u>	<u>€ 995.9</u>

(8) Leases

General

We enter into operating and finance leases for network equipment, real estate, mobile site sharing and vehicles. We provide residual value guarantees on certain of our vehicle leases.

Lease Balances

A summary of our right-of-use (ROU) assets and lease liabilities is set forth below:

	<u>September 30,</u>	<u>December 31,</u>
	<u>2023</u>	<u>2022</u>
	<u>in millions</u>	
ROU assets:		
Operating leases (a)	€ 307.7	€ 345.6
Finance leases (b)	20.1	15.7
Total ROU assets	<u>€ 327.8</u>	<u>€ 361.3</u>
Lease liabilities:		
Operating leases (c)	€ 305.9	€ 346.3
Finance leases (d)	20.5	15.8
Total lease liabilities	<u>€ 326.4</u>	<u>€ 362.1</u>

- (a) Our operating lease ROU assets are included in other assets, net, on our condensed consolidated balance sheets. At September 30, 2023, the weighted average remaining lease term for operating leases was 6.8 years and the weighted average discount rate was 3.9%. During the nine months ended September 30, 2023 and 2022, we recorded non-cash additions to our operating lease ROU assets of €21.9 million and €23.6 million, respectively.
- (b) Our finance lease ROU assets are included in property and equipment, net, on our condensed consolidated balance sheets. At September 30, 2023, the weighted average remaining lease term for finance leases was 3.7 years and the weighted average discount rate was 4.0%. During the nine months ended September 30, 2023 and 2022, we recorded non-cash additions to our finance lease ROU assets of €10.5 million and €3.3 million, respectively.

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- (c) The current and long-term portions of our operating lease liabilities are included within accrued and other current liabilities and other long-term liabilities, respectively, on our condensed consolidated balance sheets.
- (d) The current and long-term portions of our finance lease obligations are included within current portion of third-party debt and finance lease obligations and long-term debt and finance lease obligations, respectively, on our condensed consolidated balance sheets.

A summary of our aggregate lease expense is set forth below:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
	in millions			
Finance lease expense:				
Depreciation and amortization.....	€ 2.2	€ 2.1	€ 6.1	€ 6.3
Interest expense	0.3	0.2	0.7	0.3
Total finance lease expense.....	2.5	2.3	6.8	6.6
Operating lease expense (a)	20.1	18.5	60.2	58.2
Variable lease expense, net (b)	1.9	(0.2)	5.0	(0.5)
Total lease expense	€ 24.5	€ 20.6	€ 72.0	€ 64.3

- (a) Our operating lease expense is included in other operating expenses and SG&A expenses in our condensed consolidated statements of operations.
- (b) Variable lease expense represents payments made to a lessor during the lease term that vary because of a change in circumstance that occurred after the lease commencement date. Variable lease payments are expensed as incurred and are included in other operating expenses in our condensed consolidated statements of operations.

A summary of our cash outflows from operating and finance leases is set forth below:

	Nine months ended	
	September 30,	
	2023	2022
	in millions	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflows from operating leases	€ 63.2	€ 65.0
Operating cash outflows from finance leases	0.7	0.3
Financing cash outflows from finance leases	5.9	6.2
Total cash outflows from operating and finance leases	€ 69.8	€ 71.5

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The maturities of our operating and finance lease obligations as of September 30, 2023 are presented below:

	Operating leases	Finance leases
	in millions	
Year ending December 31:		
2023 (remainder of year)	€ 18.3	€ 2.1
2024	74.5	7.5
2025	55.9	5.2
2026	46.1	3.3
2027	38.4	2.4
2028	31.2	1.3
Thereafter	83.6	0.5
Total principal and interest payments	348.0	22.3
Less: present value discount	(42.1)	(1.8)
Present value of net minimum lease payments	€ 305.9	€ 20.5
Current portion	€ 65.9	€ 7.0
Long-term portion	€ 240.0	€ 13.5

(9) Income Taxes

Our condensed consolidated financial statements include the income taxes of VodafoneZiggo and its subsidiaries.

The VodafoneZiggo Fiscal Unity, established on the level of VodafoneZiggo Group Holding, is one taxpayer for Dutch tax purposes. Effective January 1, 2023, the VodafoneZiggo Fiscal Unity implemented a tax-sharing agreement to formalize our policy of recording income taxes at the level of VodafoneZiggo on a separate return basis. In accordance with this agreement, VodafoneZiggo has assumed the liability of the VodafoneZiggo Fiscal Unity with respect to income taxes payable to the Dutch tax authorities. Accordingly, current income taxes payable or receivable, if any, are presented as current positions with the tax authorities. No settlements will be made between VodafoneZiggo Group Holding, VodafoneZiggo or its subsidiaries related to Dutch tax liabilities or tax attributes.

Income tax benefit (expense) attributable to our earnings (loss) before income taxes differs from the amounts computed using the Dutch income tax rate of 25.8% as a result of the following factors:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	in millions			
Computed "expected" tax benefit (expense)	€ 19.5	€ (58.6)	€ 79.2	€ (141.8)
Change in valuation allowances (a)	(1.6)	(1.8)	(29.2)	(40.7)
Non-deductible expenses	(0.8)	(0.1)	(0.9)	(0.3)
Total income tax benefit (expense)	€ 17.1	€ (60.5)	€ 49.1	€ (182.8)

- (a) As of January 1, 2022, the interest deduction is limited to 20% of fiscal EBITDA. This limits our ability to recover non-deductible interest as well as losses on debt extinguishment; therefore, we have recorded a valuation allowance in respect of these items.

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(10) Related-party Transactions

Our related-party transactions are set forth below:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
	in millions			
Revenue	€ 5.7	€ 5.8	€ 15.5	€ 15.3
Programming and other direct costs of services	(24.2)	(25.2)	(49.7)	(48.5)
Selling, general and administrative recharges	2.0	1.6	6.1	8.1
Charges for JV Services:				
Charges from Liberty Global:				
Operating (a)	(20.4)	(21.1)	(64.9)	(64.7)
Capital (b)	(4.0)	(4.0)	(12.2)	(12.2)
Total Liberty Global corporate charges	(24.4)	(25.1)	(77.1)	(76.9)
Charges from Vodafone:				
Operating (c)	(19.6)	(15.4)	(55.9)	(59.6)
Brand fees (d)	(7.5)	(7.5)	(22.5)	(22.5)
Total Vodafone corporate charges	(27.1)	(22.9)	(78.4)	(82.1)
Total charges for JV Services	(51.5)	(48.0)	(155.5)	(159.0)
Impairment, restructuring and other operating items, net	—	—	—	0.3
Included in operating income	(67.9)	(65.8)	(183.6)	(183.8)
Interest expense	(25.7)	(25.7)	(76.4)	(76.4)
Included in earnings (loss) before income taxes	€ (93.6)	€ (91.5)	€ (260.0)	€ (260.2)
Property and equipment additions, net	€ 37.5	€ 40.7	€ 155.4	€ 143.7

- (a) Represents amounts charged for technology and other services, a portion of which are included in the calculation of the “EBITDA” metric specified by our debt agreements (**Covenant EBITDA**).
- (b) Represents amounts charged for capital expenditures 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 by Vodafone for technology and other services, a portion of which are included in the calculation of Covenant EBITDA.
- (d) Represents amounts charged for our use of the Vodafone brand name. These charges are not included in the calculation of Covenant EBITDA.

Revenue. Amounts represent interconnect fees charged by us to certain subsidiaries of Vodafone.

Programming and other direct costs of services. Amounts represent interconnect fees charged to us by certain subsidiaries of Vodafone.

Selling, general and administrative recharges. Amounts represent recharges for certain personnel services provided to Vodafone and Liberty Global.

Charges for JV Services - Framework and Trade Mark Agreements. Pursuant to a framework and a trade name agreement (collectively, the **JV Service Agreements**), Liberty Global and Vodafone charge us fees for certain services provided to us by

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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 JV Services can be terminated 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. The JV Service Agreements are currently being revised, including technical descriptions and commercial terms.

Interest expense. Amounts relate to the Liberty Global Notes and the Vodafone Notes, 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, 2023	December 31, 2022
	in millions	
Assets:		
Related-party receivables (a)	€ 38.1	€ 47.4
Liabilities:		
Accounts payable (b)	€ 100.1	€ 150.8
Accrued and other current liabilities (b)	5.2	15.7
Debt (c):		
Liberty Global Notes	907.9	907.9
Vodafone Notes	907.9	907.9
Other long-term liabilities (d)	0.5	2.2
Total liabilities	€ 1,921.6	€ 1,984.5

- (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.
- (d) Represents operating lease liabilities related to Vodafone.

Related-party Debt

Liberty Global Notes Payable

The Liberty Global Notes comprise (i) a euro-denominated note payable to a subsidiary of Liberty Global with a principal amount of €700.0 million at September 30, 2023 (the **Liberty Global Note Payable I**) and (ii) a euro-denominated note payable to a subsidiary of Liberty Global entered into during the third quarter of 2020 with a principal amount of €207.9 million at September 30, 2023 (the **Liberty Global Note Payable II**, and, together with the Liberty Global Note Payable I, the **Liberty Global Notes Payable**). The Liberty Global Notes Payable bear interest at a fixed rate of 5.55% and have a final maturity date of December 31, 2030. During the nine months ended September 30, 2023, interest accrued on the Liberty Global Notes Payable was €38.2 million, all of which has been cash settled.

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Vodafone Notes Payable

The Vodafone Notes comprise (i) a euro-denominated note payable to a subsidiary of Vodafone with a principal amount of €700.0 million at September 30, 2023 (the **Vodafone Note Payable I**) and (ii) a euro-denominated note payable to a subsidiary of Vodafone entered into during the third quarter of 2020 with a principal amount of €207.9 million at September 30, 2023 (the **Vodafone Note Payable II**, and, together with the Vodafone Note Payable I, the **Vodafone Notes Payable**). The Vodafone Notes Payable bear interest at a fixed rate of 5.55% and have a final maturity date of December 31, 2030. During the nine months ended September 30, 2023, interest accrued on the Vodafone Notes Payable was €38.2 million, all of which has been cash settled.

(11) Commitments and Contingencies

Commitments

As further described in note 10, 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 and services and other items. The following table sets forth these commitments as of September 30, 2023. The commitments included in this table do not reflect any liabilities that are included on our September 30, 2023 condensed consolidated balance sheet.

	Payments due during:							Total
	Remainder of 2023	2024	2025	2026	2027	2028	Thereafter	
in millions								
Programming commitments	€ 35.3	€ 135.2	€ 94.2	€ 51.2	€ 30.3	€ 12.1	€ —	€ 358.3
Purchase commitments	204.2	49.0	17.7	3.8	0.9	—	—	275.6
JV Service Agreements (a)	45.8	62.9	31.9	31.9	30.5	30.0	—	233.0
Other commitments	4.9	28.3	19.0	10.6	10.0	9.7	24.6	107.1
Total	€ 290.2	€ 275.4	€ 162.8	€ 97.5	€ 71.7	€ 51.8	€ 24.6	€ 974.0

(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. The JV Service Agreements are currently being revised, including technical descriptions and commercial terms. For additional information regarding fees related to the JV Service Agreements, see note 10.

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. 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, 2023 and 2022, the programming and copyright costs incurred by our operations aggregated €212.6 million and €221.7 million, respectively.

Purchase commitments include unconditional and legally binding obligations related to the purchase of customer premises equipment (CPE), other equipment and mobile handsets.

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Other commitments primarily include sponsorships and certain fixed minimum contractual commitments. In addition to the commitments set forth in the table above, we have commitments under (i) derivative instruments and (ii) multi-employer 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 2023, 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

Spectrum auction. The Dutch Government is planning to auction 300 MHz in the 3.5 GHz band for mobile services. This auction has been delayed as a result of court rulings regarding the protection of satellite services, and is currently expected to take place in the first half of 2024. Further delays are possible.

VAT. Our application of VAT with respect to certain mobile revenue generating activities has been challenged by the Dutch tax authorities in two different court cases. The Dutch tax authorities challenged the multipurpose character of certain mobile subscriptions that we entered into during 2017 and 2018. The initial verdict in both cases was in favor of the tax authorities. We appealed these decisions to the higher court and the hearing of both cases was held in February 2023. In May 2023, the higher court ruled in favor of the Dutch tax authorities in both cases. Accordingly, during the second quarter of 2023, we recorded a provision for litigation of €33.4 million and related interest expense of €2.1 million. We have filed an appeal in cassation and the timing of the final outcome remains uncertain.

Other regulatory matters. Broadband internet, video distribution, fixed-line telephony, mobile and content businesses are subject to significant regulation and supervision by various regulatory bodies in the Netherlands, including Dutch and European Union (E.U.) authorities. Adverse regulatory developments could subject our business 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 business to various penalties.

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

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(12) Segment Reporting

We have one reportable segment that provides fixed, mobile and integrated communication and entertainment services to consumers and businesses in the Netherlands.

Our revenue by major category is set forth below:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
	in millions			
Consumer fixed revenue (a):				
Subscription revenue	€ 514.2	€ 510.2	€ 1,495.7	€ 1,521.2
Non-subscription revenue	2.7	3.0	8.6	10.0
Total consumer fixed revenue	516.9	513.2	1,504.3	1,531.2
Consumer mobile revenue (b):				
Subscription revenue	177.8	172.9	520.7	502.0
Non-subscription revenue	59.7	62.8	181.0	174.7
Total consumer mobile revenue	237.5	235.7	701.7	676.7
Total consumer revenue	754.4	748.9	2,206.0	2,207.9
B2B fixed revenue (c):				
Subscription revenue	140.1	131.4	406.7	395.6
Non-subscription revenue	3.0	3.0	8.7	8.9
Total B2B fixed revenue	143.1	134.4	415.4	404.5
B2B mobile revenue (d):				
Subscription revenue	98.6	101.6	294.4	292.3
Non-subscription revenue	30.9	40.8	106.8	109.4
Total B2B mobile revenue	129.5	142.4	401.2	401.7
Total B2B revenue	272.6	276.8	816.6	806.2
Other revenue (e)	7.3	7.4	20.8	26.4
Total	€ 1,034.3	€ 1,033.1	€ 3,043.4	€ 3,040.5

- (a) Consumer fixed revenue is classified as either subscription revenue or non-subscription revenue. Consumer fixed subscription revenue includes revenue from subscribers for ongoing broadband internet, video, and fixed-line telephony services offered to residential customers and the amortization of installation fee. Consumer fixed non-subscription revenue includes, among other items, interconnect, 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 fixed 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 subscription revenue or non-subscription revenue. Consumer mobile subscription revenue includes revenue from ongoing mobile and data services offered under postpaid and prepaid arrangements to residential customers. Consumer mobile non-subscription revenue includes, among other items, interconnect revenue, mobile handset and accessories sales, and late fees.
- (c) B2B fixed revenue is classified as either subscription revenue or non-subscription revenue. B2B fixed subscription revenue includes revenue from business broadband internet, video, fixed-line telephony, and data services, offered to

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small or home office (**SOHO**) customers and small and medium to large enterprises. B2B fixed non-subscription revenue includes, among other items, revenue from hosting services, installation fees, carriage fees and interconnect.

- (d) B2B mobile revenue is classified as either subscription revenue or non-subscription revenue. B2B mobile subscription revenue includes revenue from ongoing mobile and data services offered to SOHO, small and medium to large enterprise customers as well as wholesale customers. B2B mobile non-subscription revenue includes, among other items, interconnect (including visitor) revenue, mobile handset and accessories sales, late fees and site sharing revenue.
- (e) Other revenue includes, among other items, programming and advertising.

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 2022 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, 2023 and 2022.
- *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, 2023.

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, hedging 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 fiber roll-out plans of our competitors and their 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, as a result of, among other things, inflationary pressures;
- changes in consumer television viewing and mobile and broadband usage preferences and habits;
- customer acceptance of our existing service offerings, including our broadband internet, video, 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 and the rate at which our current technology becomes obsolete;
- our ability to maintain or increase the number of subscriptions to our broadband internet, video, 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 as a result of, among other things, inflationary pressures and fluctuating energy costs;
- 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 and legislation 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.
- changes in laws or treaties relating to taxation, or the interpretation thereof, in the Netherlands;
- changes in laws, monetary policies and government regulations that may impact the availability and cost of capital and the derivative instruments that hedge certain of our financial risks;
- the ability of suppliers and vendors to timely deliver quality products, equipment, software, services and access;
- the availability of attractive programming for our video services and the costs associated with such programming, including production costs, 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;
- the availability and cost of capital for the acquisition, maintenance and/or development of telecommunications networks, products and services;
- the availability, cost and regulation of spectrum;
- problems we may discover post-closing with the operations, including the internal controls and financial reporting processes, of businesses we acquire;
- our ability to anticipate, protect against, mitigate and contain loss of our and our customers' data as a result of cyber attacks on us;
- the leakage of sensitive customer and company 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 shareholders;
- our capital structure and factors related to our debt arrangements; and
- events that are outside of our control, such as political unrest in international markets, international conflicts, terrorist attacks, malicious human acts, natural disasters, pandemics or epidemics (such as COVID-19) and other similar events.

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

Overview

General

VodafoneZiggo provides fixed, mobile and integrated communication and entertainment services to consumers and businesses in the Netherlands.

Operations

At September 30, 2023, we owned and operated networks that passed 7,467,100 homes and served 8,400,100 revenue generating units (RGUs), consisting of 3,573,500 video subscribers, 3,233,600 broadband internet subscribers and 1,593,000 fixed-line telephony subscribers. In addition, at September 30, 2023, we served 5,598,100 mobile subscribers, which includes 5,261,500 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		Nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
Organic RGU losses:				
Video	(38,000)	(20,200)	(91,200)	(59,400)
Broadband internet	(33,900)	(9,300)	(73,400)	(27,700)
Fixed-line telephony	(65,900)	(71,100)	(193,600)	(202,500)
Total organic RGU losses	<u>(137,800)</u>	<u>(100,600)</u>	<u>(358,200)</u>	<u>(289,600)</u>
Organic mobile subscriber additions (losses):				
Postpaid net additions	28,600	67,000	104,600	152,900
Prepaid net additions (losses) *	(900)	(5,100)	(34,100)	300
Total organic mobile subscriber additions	<u>27,700</u>	<u>61,900</u>	<u>70,500</u>	<u>153,200</u>

* Prepaid net additions for the nine months ended September 30, 2022, include approximately 15,000 SIMs donated to Ukrainian refugees.

Competition

The Dutch market for mobile and fixed services is highly competitive and rapidly evolving. Within our mobile operations we continue to experience pressure on pricing, characterized by aggressive promotion campaigns, heavy marketing spend and increasing or unlimited data bundles. Furthermore, there is growing competition from MVNOs that focus on certain niche segments such as no frill, youth or ethnic markets. Within our fixed operations we experience increased competition, mainly as a result of competitors' emphasis on accelerating the rollout of their fiber footprint. This significant competition, together with the macroeconomic factors, has adversely impacted our revenue, RGU and average monthly subscription revenue per average fixed RGU or mobile subscriber, as applicable (ARPU). For additional information regarding the revenue impact of changes in the RGUs and ARPU, see *Results of Operations* below.

Material Changes in Results of Operations

This section provides an analysis of our results of operations for the three months and nine months ended September 30, 2023 and 2022.

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 are subject to inflationary pressures with respect to labor, programming and other operating costs, including energy costs. In this regard, inflation rates in the Netherlands have recently increased significantly. While we attempt to increase our revenue to offset increases in costs, there is no assurance that we will be able to do so. Therefore, costs could rise faster than associated revenue, thereby resulting in a negative impact on our operating results, cash flows and liquidity. The economic environment in the Netherlands is a function of government, economic, fiscal and monetary policies and various other factors beyond our control that could lead to further inflation. We are unable to predict the extent that price levels might be impacted in future periods by the current state of the economy in the Netherlands.

Adjusted EBITDA

Adjusted EBITDA, which is a non-GAAP measure, is the primary measure used by our management to evaluate the operating performance of our business. It is also a key factor that is used by our management and our Supervisory Board to evaluate the effectiveness of our management for purposes of annual and other incentive compensation plans. As we use the term, “**Adjusted EBITDA**” 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. Investors should view Adjusted EBITDA as a supplement to, and not a substitute for, GAAP measures of performance included in our condensed consolidated statements of operations.

The following table provides a reconciliation of net earnings (loss) to Adjusted EBITDA:

	Three months ended September 30,		Nine months ended September 30,	
	2023	2022	2023	2022
	in millions			
Net earnings (loss)	€ (58.3)	€ 166.6	€ (257.7)	€ 366.8
Income tax expense (benefit)	(17.1)	60.5	(49.1)	182.8
Other expense (income), net	—	(0.2)	0.4	(0.5)
Losses on debt extinguishment, net	—	—	—	71.1
Foreign currency transaction losses, net	182.2	421.2	70.5	892.7
Realized and unrealized gains on derivative instruments, net ...	(212.1)	(683.9)	(135.3)	(1,636.5)
Interest expense:				
Third-party	160.8	121.7	460.4	333.5
Related-party	25.7	25.7	76.4	76.4
Operating income	81.2	111.6	165.6	286.3
Impairment, restructuring and other operating items, net	5.3	4.0	41.3	9.0
Depreciation and amortization	390.0	381.1	1,154.4	1,141.8
Adjusted EBITDA	€ 476.5	€ 496.7	€ 1,361.3	€ 1,437.1

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” in the following discussion to refer to amounts received from subscribers for ongoing services. In the below tables, mobile subscription 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 fixed and mobile products during the period. In the following discussion, we provide the net impact of the above factors on the ARPU that is derived from our video, broadband internet, fixed-line telephony and mobile products.

Our revenue by major category is set forth below:

	Three months ended		Increase (decrease)	
	September 30,		€	%
	2023	2022		
	in millions, except % amounts			
Consumer fixed revenue (a):				
Subscription revenue	€ 514.2	€ 510.2	€ 4.0	0.8 %
Non-subscription revenue	2.7	3.0	(0.3)	(10.0)%
Total consumer fixed revenue	516.9	513.2	3.7	0.7 %
Consumer mobile revenue (b):				
Subscription revenue	177.8	172.9	4.9	2.8 %
Non-subscription revenue	59.7	62.8	(3.1)	(4.9)%
Total consumer mobile revenue	237.5	235.7	1.8	0.8 %
Total consumer revenue	754.4	748.9	5.5	0.7 %
B2B fixed revenue (c):				
Subscription revenue	140.1	131.4	8.7	6.6 %
Non-subscription revenue	3.0	3.0	—	0.0 %
Total B2B fixed revenue	143.1	134.4	8.7	6.5 %
B2B mobile revenue (d):				
Subscription revenue	98.6	101.6	(3.0)	(3.0)%
Non-subscription revenue	30.9	40.8	(9.9)	(24.3)%
Total B2B mobile revenue	129.5	142.4	(12.9)	(9.1)%
Total B2B revenue	272.6	276.8	(4.2)	(1.5)%
Other revenue (e)	7.3	7.4	(0.1)	(1.4)%
Total	€ 1,034.3	€ 1,033.1	€ 1.2	0.1 %

	Nine months ended		Increase (decrease)	
	September 30,		€	%
	2023	2022		
in millions, except % amounts				
Consumer fixed revenue (a):				
Subscription revenue	€ 1,495.7	€ 1,521.2	€ (25.5)	(1.7)%
Non-subscription revenue	8.6	10.0	(1.4)	(14.0)%
Total consumer fixed revenue	1,504.3	1,531.2	(26.9)	(1.8)%
Consumer mobile revenue (b):				
Subscription revenue	520.7	502.0	18.7	3.7 %
Non-subscription revenue	181.0	174.7	6.3	3.6 %
Total consumer mobile revenue	701.7	676.7	25.0	3.7 %
Total consumer revenue	2,206.0	2,207.9	(1.9)	(0.1)%
B2B fixed revenue (c):				
Subscription revenue	406.7	395.6	11.1	2.8 %
Non-subscription revenue	8.7	8.9	(0.2)	(2.2)%
Total B2B fixed revenue	415.4	404.5	10.9	2.7 %
B2B mobile revenue (d):				
Subscription revenue	294.4	292.3	2.1	0.7 %
Non-subscription revenue	106.8	109.4	(2.6)	(2.4)%
Total B2B mobile revenue	401.2	401.7	(0.5)	(0.1)%
Total B2B revenue	816.6	806.2	10.4	1.3 %
Other revenue (e)	20.8	26.4	(5.6)	(21.2)%
Total	€ 3,043.4	€ 3,040.5	€ 2.9	0.1 %

- (a) Consumer fixed revenue is classified as either subscription revenue or non-subscription revenue. Consumer fixed subscription revenue includes revenue from subscribers for ongoing broadband internet, video and fixed-line telephony services offered to residential customers and the amortization of installation fee. Consumer fixed non-subscription revenue includes, among other items, interconnect, 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 fixed 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 subscription revenue or non-subscription revenue. Consumer mobile subscription revenue includes revenue from ongoing mobile and data services offered under postpaid and prepaid arrangements to residential customers. Consumer mobile non-subscription revenue includes, among other items, interconnect revenue, mobile handset and accessories sales, and late fees.
- (c) B2B fixed revenue is classified as either subscription revenue or non-subscription revenue. B2B fixed subscription revenue includes revenue from business broadband internet, video, fixed-line telephony, and data services, offered to SOHO customers and small and medium to large enterprises. B2B fixed non-subscription revenue includes, among other items, revenue from hosting services, installation fees, carriage fees and interconnect.
- (d) B2B mobile revenue is classified as either subscription revenue or non-subscription revenue. B2B mobile subscription revenue includes revenue from ongoing mobile and data services offered to SOHO, small and medium to large enterprise customers as well as wholesale customers. B2B mobile non-subscription revenue includes, among other items, interconnect (including visitor) revenue, mobile handset and accessories sales, site sharing revenue and late fees.

(e) Other revenue includes, among other items, programming and advertising.

The details of the changes in our revenue during the three and nine months ended September 30, 2023, as compared to the corresponding periods in 2022, are set forth below:

	Three-month period			Nine-month period		
	Subscription revenue	Non-subscription revenue	Total	Subscription revenue	Non-subscription revenue	Total
	in millions					
Increase (decrease) in consumer fixed subscription revenue due to change in:						
Average number of RGUs (a)	€ (20.0)	€ —	€ (20.0)	€ (42.6)	€ —	€ (42.6)
ARPU (b)	24.0	—	24.0	17.1	—	17.1
Decrease in consumer fixed non-subscription revenue (c)	—	(0.3)	(0.3)	—	(1.4)	(1.4)
Total increase (decrease) in consumer fixed revenue	4.0	(0.3)	3.7	(25.5)	(1.4)	(26.9)
Increase (decrease) in consumer mobile revenue (d)	4.9	(3.1)	1.8	18.7	6.3	25.0
Increase (decrease) in B2B fixed revenue (e)	8.7	—	8.7	11.1	(0.2)	10.9
Increase (decrease) in B2B mobile revenue (f)	(3.0)	(9.9)	(12.9)	2.1	(2.6)	(0.5)
Decrease in other revenue (g)		(0.1)	(0.1)	—	(5.6)	(5.6)
Total	€ 14.6	€ (13.4)	€ 1.2	€ 6.4	€ (3.5)	€ 2.9

- (a) The decreases in consumer fixed subscription revenue related to a change in the average number of RGUs are mainly attributable to decreases in the average number of internet, fixed-line telephony and video RGUs.
- (b) The increases in consumer fixed subscription revenue related to a change in ARPU are primarily attributable to the net effect of (i) the annual price indexation implemented on July 1, 2023, (ii) a decrease in ARPU from changes in RGU mix and (iii) a decrease in national out-of-bundle usage.
- (c) The decreases in consumer fixed non-subscription revenue are primarily attributable to lower CPE sales.
- (d) The increases in consumer mobile subscription revenue are primarily attributable to the net effect of (i) customer base growth, (ii) price indexation, (iii) increases in roaming revenue and (iv) a decrease in national out-of-bundle revenue. The decrease in consumer mobile non-subscription revenue for the three-month comparison is largely attributable to (i) a decrease in handset sales and (ii) a decrease in interconnect revenue. The increase for the nine-month comparison are largely attributable to an increase in mobile handset sales.
- (e) The increases in B2B fixed subscription revenue are primarily attributable to the net effect of (i) higher average numbers of SOHO and Unified Communication customers and (ii) lower volumes of national calls.
- (f) The decrease in the B2B mobile subscription revenue for the three-month comparison is primarily attributable to the net effect of (i) lower out-of-bundle usage and (ii) customer base growth. The increase in B2B mobile subscription revenue for the nine-month comparison is primarily attributable to the net effect of (i) an increase in the customer base, (ii) an increase in Internet of Things revenue, (iii) lower out-of-bundle usage due to WiFi-based communication alternatives and (iv) pricing pressure in the large corporate segment. The decreases in B2B mobile non-subscription revenue are primarily attributable to the net effect of, (i) decreases in sales of mobile handsets, (ii) decreases in site sharing revenues and (iii) increases in interconnect revenue.
- (g) The decreases in other revenue are primarily attributable to decreases in revenue from our sports content channel, Ziggo Sport.

Programming and other direct costs of services

Programming and other direct costs of services include programming and copyright costs, mobile access and interconnect costs, costs of mobile handsets and other devices and other direct costs related to our operations. Programming and copyright costs represent a significant portion of our operating costs and 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 €15.7 million or 7.2% and €20.4 million or 3.2% during the three and nine months ended September 30, 2023, respectively, as compared to the corresponding periods in 2022. These decreases include the following factors:

- Decreases in programming costs of €1.6 million or 2.2% and €14.7 million or 6.5%, respectively, primarily attributable to the impact of contract renewals and expirations in 2023 and 2022, which resulted in (i) lower costs for certain premium sport content and (ii) lower costs for basic content;
- Decreases in interconnect costs of €4.6 million or 9.7% and €11.8 million or 10.0%, respectively, primarily attributable to (i) lower freephone usage of the corona number, (ii) lower mobile termination rates and (iii) decreases in leased line costs; and
- An increase (decrease) in equipment costs of (€9.7 million) or (9.7%) and €5.7 million or 2.0%, respectively, primarily attributable to the net effect of (i) decreases for the three-month comparison and a increase for the nine-month comparison in sales volumes of mobile handsets and other equipment and (ii) a decrease for the three-month comparison and an increase for the nine-month comparison for the average costs per mobile handset sold.

Other operating expenses

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

Our other operating expenses increased by €20.5 million or 18.6% and €60.9 million or 17.4% during the three and nine months ended September 30, 2023, respectively, as compared to the corresponding periods in 2022. These increases include the following factors:

- Increases in business service costs of €9.4 million or 47.2% and €39.6 million or 69.8%, respectively, primarily due to increases in energy costs following higher energy prices;
- Increases in other indirect costs of €2.5 million or 51.8% and €6.0 million or 39.8%, respectively, primarily due to (i) increases in property costs and (ii) increases in bad debt expenses;
-
- Increases in customer service costs of €3.3 million or 24.0% and €5.7 million or 12.6%, respectively, primarily driven by more inbound traffic;
- Increases in core network and IT costs of €1.6 million or 13.9% and €2.0 million or 5.7 %, respectively, primarily due to the net effect of increased network maintenance and a decrease in framework agreement recharges;
- Increases in access of €0.8 million or 19.2% and €1.9 million or 12.6%, respectively, primarily due to increased preventative maintenance performed; and
- Increases in labor costs of €1.8 million or 3.9% and €1.3 million or 0.9%, respectively, primarily due to higher average cost per employee.

SG&A expenses

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 increased by €13.1 million or 8.3% and €41.7 million or 8.9% during the three and nine months ended September 30, 2023, respectively, as compared to the corresponding periods in 2022. These increases include the following factors:

- Increases in personnel costs of €2.5 million or 4.0% and €15.5 million or 8.3%, respectively, primarily driven by the net effect of (i) higher average costs per employee, (ii) higher staffing levels and (iii) lower costs due to higher capitalizable activities;
- Increases in other SG&A expenses of €4.9 million or 73.3% and €8.7 million or 55.4%, respectively, primarily driven by the net effect of (i) for the nine-month comparison the impact of an accrual release in 2022 following the expiration of a legal obligation (ii) for the three-month comparison an increase in legal provisions and (ii) increases in rent and service expenses driven by inflation;
- For the nine-month comparison an increase in core network and information technology-related costs of €8.0 million or 28.0%, respectively, primarily driven by an increase in information technology-related project spend and maintenance costs;
- For the nine-month comparison, an increase in business service costs of €8.0 million or €14.1%, respectively, primarily driven by the net effect of (i) an increase in energy costs due to higher energy prices, (ii) an increase in travel and entertainment costs and (iii) lower consultancy costs; and
- Increases in customer service costs of €2.1 million or 52.7% and €7.3 million or 66.2%, respectively, primarily due to more inbound traffic.

Charges for JV Services

We recorded charges for JV Services of €51.5 million and €155.5 million during the three and nine months ended September 30, 2023, respectively, as compared to €48.0 million and €159.0 million during the three and nine months ended September 30, 2022, respectively. For additional information regarding charges for JV Services, see note 10 to our condensed consolidated financial statements.

Depreciation and amortization expense

Our depreciation and amortization expenses increased by €8.9 million or 2.3% and €12.6 million or 1.1% during the three and nine months ended September 30, 2023, respectively, as compared to the corresponding periods in 2022. These increases are primarily driven by higher average balances of depreciable tangible assets.

Impairment, restructuring and other operating items, net

We recognized impairment, restructuring and other operating items, net, of €5.3 million and €41.3 million during the three and nine months ended September 30, 2023, respectively, including the net effect of (i) the recognition of a provision for litigation of €33.4 million during the second quarter of 2023 associated with a VAT dispute with the Dutch tax authorities relating to 2017-2018 periods, (ii) restructuring charges of €3.6 million and €6.6 million, respectively, (iii) impairment charges related to long lived assets of €2.1 million and €2.6 million, respectively and (iv) the gain from the disposition of assets of €0.4 million and €1.3 million, respectively.

We recognized impairment, restructuring and other operating items, net, of €4.0 million and €9.0 million during the three and nine months ended September 30, 2022, respectively, including (i) restructuring charges of €4.1 million and €7.5 million, respectively, (ii) acquisition and disposition costs of €0.2 million and €1.6 million, respectively (iii) gains from the disposition of assets of €0.4 million and €0.6 million, respectively and (iv) impairment charges related to tangible assets of €0.1 million and €0.5 million, respectively

Interest expense—third-party

Our third-party interest expense increased by €39.1 million or 32.1% and €126.9 million or 38.1% during the three and nine months ended September 30, 2023, respectively, as compared to the corresponding periods in 2022, primarily due to higher interest rates on variable interest rate debt.

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 **FCA**), the authority that regulates LIBOR, announced that it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. In March 2021, the FCA announced that all LIBOR settings will either cease to be published or be deemed no longer representative, either (i) immediately after December 31, 2021, in the case of the one-week and two-month USD rates and (ii) immediately after June 30, 2023, in the case of the remaining USD rates. The Alternative Reference Rate Committee, a committee convened by the Federal Reserve that includes major market participants, has identified Term SOFR, a new index calculated by short-term repurchase agreements backed by Treasury securities, as its preferred alternative rate for LIBOR. Accordingly, Term SOFR, as administered by CME Group Benchmark Administration Limited (or any other person which takes over the administration of that rate), is now referenced for the calculation of interest for U.S. dollar-denominated loans under the credit agreements currently held by our borrowing groups. The European Money Markets Institute (the authority that administers EURIBOR) reformed the methodology for EURIBOR and EURIBOR has been granted regulatory approval to continue to be used.

In October 2020, the International Swaps and Derivatives Association (the **ISDA**) launched the Fallback Supplement, which, as of January 25, 2021, amended the standard definitions for interest rate derivatives to incorporate fallbacks for derivatives linked to certain key interbank offered rates (**IBORs**). The ISDA also launched the Fallback Protocol, a protocol that enables market participants to incorporate these revisions into their legacy non-cleared derivatives with other counterparties that choose to adhere to the protocol. The fallbacks for a particular currency apply following a permanent cessation of the IBOR in that currency, or in the case of an IBOR setting, that IBOR setting becoming permanently unrepresentative, and are adjusted versions of the risk-free rates identified in each currency. It is possible, however, that any new reference rate that applies to our debt could be different from any new reference rate that applies to our derivative instruments. For discontinued currencies and tenors, we expect to continue taking steps to mitigate the changes in these benchmark rates, including by adhering to the Fallback Protocol, where appropriate. We plan to continue to manage 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 our subsidiaries may incur significant associated costs.

Interest expense—related-party

We recorded related-party interest expense of €25.7 million and €76.4 million during the three and nine months ended September 30, 2023, respectively, and €25.7 million and €76.4 million during the three and nine months ended September 30, 2022, respectively. For additional information regarding our related-party debt, see note 10 to our condensed consolidated financial statements.

Realized and unrealized gains 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 upon the full or partial settlement of the derivative contracts.

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

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
	in millions			
Cross-currency and interest rate derivative contracts (a)	€ 211.5	€ 683.4	€ 134.8	€ 1,635.3
Foreign currency forward contracts	0.6	0.5	0.5	1.2
Total	€ 212.1	€ 683.9	€ 135.3	€ 1,636.5

- (a) The gains during the 2023 periods are primarily attributable to (i) net gains associated with changes in the relative value of the euro to the U.S. dollar and (ii) net gains associated with changes in certain market interest rates. The gains during the 2022 periods are primarily attributable to (a) net gains associated with changes in the relative value of the euro to the U.S. dollar and (b) net gains associated with changes in certain market interest rates. In addition, the results include net losses of €8.7 million and €51.0 million during the three months ended September 30, 2023 and 2022, respectively, and a net gain (loss) of €9.5 million and (€58.3 million) during the nine months ended September 30, 2023 and 2022, respectively, resulting from changes in credit risk valuation adjustments.

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

Foreign currency transaction losses, net

Our foreign currency transaction gains and 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 and losses are computed based on period-end exchange rates and are non-cash in nature until such time as the amounts are settled. The details of our foreign currency transaction losses, net, are as follows:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2023	2022	2023	2022
	in millions			
U.S. dollar-denominated debt	€ (181.7)	€ (420.9)	€ (70.2)	€ (892.4)
Other	(0.5)	(0.3)	(0.3)	(0.3)
Total	€ (182.2)	€ (421.2)	€ (70.5)	€ (892.7)

Losses on debt extinguishment, net

We recognized net losses on debt extinguishment of €71.1 million during the nine months ended September 30, 2022, attributable to (i) the payment of €52.0 million of redemption premiums and (ii) the write-off of €19.1 million of fair value adjustments and unamortized deferred financing costs.

Income tax benefit (expense)

We recognized income tax benefit of €17.1 million and €49.1 million during the three and nine months ended September 30, 2023, respectively, and income tax expense of €60.5 million and €182.8 million during the three and nine months ended September 30, 2022, respectively.

The income tax benefit for the three and nine months ended September 30, 2023 differs from the expected income tax benefit of €19.5 million and €79.2 million, respectively, and the income tax expense for the three and nine months ended September 30, 2022 differs from the expected income tax expense of €58.6 million and €141.8 million, respectively. These differences are primarily attributable to the negative impact of increases in valuation allowances associated with interest deduction limitations.

For additional information regarding our income taxes, see note 9 to our condensed consolidated financial statements.

Net earnings (loss)

During the three months ended September 30, 2023 and 2022, we reported net earnings (loss) of (€58.3 million) and €166.6 million, respectively, including (i) operating income of €81.2 million and €111.6 million, respectively, (ii) net non-operating income (expense) of (€156.6 million) and €115.5 million, respectively, and (iii) income tax benefit (expense) of €17.1 million and (€60.5 million), respectively.

During the nine months ended September 30, 2023 and 2022, we reported net earnings (loss) of (€257.7 million) and €366.8 million, respectively, including (i) operating income of €165.6 million and €286.3 million, respectively, (ii) net non-operating income (expense) of (€472.4 million) and €263.3 million, respectively, and (iii) income tax benefit (expense) of €49.1 million and (€182.8 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 operating income to a level that more than offsets the aggregate amount of our (a) interest expense, (b) other non-operating expenses and (c) income tax expense.

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, 2023, most of our €71.2 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 three 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, including the acquisition of spectrum licenses and (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 (i) property and equipment additions, (ii) debt service requirements and (iii) income tax payments, as well as to settle certain obligations that are not included on our September 30, 2023 condensed consolidated balance sheet. In this regard, we have significant commitments related to (a) programming contracts, (b) the JV Service Agreements and (c) purchase obligations associated with mobile handsets, CPE and other equipment. These obligations are expected to represent a significant liquidity requirement, the majority of which is due over the next 12 to 36 months. For additional information regarding our commitments, see note 11 to our condensed consolidated financial statements.

From time to time, our operating subsidiaries may also require liquidity in connection with (i) acquisitions and other investment opportunities, including the acquisition of spectrum licenses, (ii) distributions or loans to VodafoneZiggo (and

ultimately to the Shareholders of the VodafoneZiggo JV) or (iii) 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.

For additional information regarding our consolidated cash flows, see the discussion under Condensed Consolidated Statements of Cash Flows below.

Capitalization

At September 30, 2023, the outstanding principal amount of our third-party debt and finance lease obligations aggregated €11.4 billion, including €1.1 billion that is classified as current on our condensed consolidated balance sheet and €7.3 billion that is not due until 2029 or thereafter. For additional information regarding our debt and finance lease maturities, see notes 7 and 8, respectively, 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, 2023, we believe that we have sufficient resources to repay or refinance the current portion of our debt and finance 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. Our ability to access debt financing at favorable terms, or at all, could be adversely impacted by (i) the financial failure of any of our counterparties, which 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. 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 third-party debt and finance lease obligations at September 30, 2023, have been borrowed or incurred by our subsidiaries.

For additional information regarding our debt and finance lease obligations, see notes 7 and 8, respectively, 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, 2023 and 2022 are summarized as follows:

	Nine months ended		Change
	September 30,		
	2023	2022	
	in millions		
Net cash provided by operating activities	€ 802.5	€ 952.3	€ (149.8)
Net cash used by investing activities	(482.0)	(391.5)	(90.5)
Net cash used by financing activities	(340.0)	(717.5)	377.5
Effect of exchange rate changes on cash and cash equivalents and restricted cash ..	(0.1)	1.5	(1.6)
Net decrease in cash and cash equivalents and restricted cash	<u>€ (19.6)</u>	<u>€ (155.2)</u>	<u>€ 135.6</u>

Operating Activities. The decrease in net cash provided by our operating activities is primarily attributable to (i) a decrease in the cash provided by our Adjusted EBITDA and related working capital changes and (ii) higher cash paid for corporate income taxes. Adjusted EBITDA is a non-GAAP measure, which investors should view as a supplement to, and not a substitute for, GAAP measures of performance included in our condensed consolidated statements of operations.

Investing Activities. The increase in net cash used by our investing activities is primarily attributable to (i) an increase in cash used of €38.9 million associated with higher property and equipment additions, (ii) an increase in cash used of €34.6 million associated with higher cash paid for liabilities related to capital expenditures and (iii) an increase in cash used of €27.2 million following a decrease in assets acquired under capital-related vendor financing arrangements.

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 finance lease arrangements. Instead, these expenditures are reflected as non-cash additions to our property and equipment when the underlying assets are delivered, and as repayments of debt when the 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 finance 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 finance 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,	
	2023	2022
	in millions	
Property and equipment additions	€ 681.0	€ 642.1
Assets acquired under capital-related vendor financing arrangements	(293.4)	(320.6)
Assets acquired under finance leases	(10.8)	(2.2)
Changes in current liabilities related to capital expenditures	107.2	72.6
Capital expenditures	<u>€ 484.0</u>	<u>€ 391.9</u>

The net increase in our property and equipment additions during the nine months ended September 30, 2023 is primarily attributable to (i) an increase in capacity and coverage expansion in both mobile and fixed networks, (ii) an increase in new build, and (iii) an increase in spending on IT transformation projects, which is partially offset by (iv) a decrease in investments in 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 €350.0 million due to lower distributions to VodafoneZiggo Group Holding, (ii) a decrease in cash used of €63.5 million due to lower payments of financing costs and debt premiums, (iii) an increase in cash used of €47.8 million due to higher net repayments of third-party debt and (iv) a decrease in cash used of €11.6 million due to lower net repayments of vendor financing.

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, 2023. These amounts are presented for illustrative purposes only and will likely differ from the actual cash payments or receipts in future periods. For additional information regarding our derivative instruments, including our counterparty credit risk, see note 4 to our condensed consolidated financial statements.

	Payments (receipts) due during:							Total
	Remainder of 2023	2024	2025	2026	2027	2028	Thereafter	
	in millions							
Projected derivative cash payments (receipts), net:								
Interest-related (a)	€ 14.2	€(222.5)	€(218.5)	€(214.5)	€(214.1)	€(147.0)	€ (61.1)	€ (1,063.5)
Principal-related (b)	—	—	(22.3)	—	—	(497.7)	(84.9)	(604.9)
Total	€ 14.2	€(222.5)	€(240.8)	€(214.5)	€(214.1)	€(644.7)	€ (146.0)	€ (1,668.4)

(a) Includes (i) the cash flows of our interest rate cap and floor contracts and (ii) 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.