ZIGGO GROUP HOLDING B.V.

Annual Report
for Year Ended
December 31, 2014

UPC Nederland B.V.
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ZIGGO GROUP HOLDING B.V.

TABLE OF CONTENTS

FORWARD-LOOKING STATEMENTS

Certain statements in this annual report constitute forward-looking statements. To the extent that statements in this annual 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 *Business of Ziggo Group Holding* and *Management's Discussion and Analysis of Financial Condition and Results of Operations* may contain forward-looking statements, including statements regarding our future projected contractual commitments, statements regarding our growth prospects and our strategic, operating and finance initiatives over the next few years, the percentage of revenue represented by our property and equipment additions in 2015, subscriber growth and retention rates, competitive, regulatory and economic factors, anticipated cost increases 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 of some but not all of the factors that could cause actual results or events to differ materially from anticipated results or events:

- economic and business conditions and industry trends in the markets in which we operate;
- the competitive environment in the broadband communications and programming industries in the Netherlands, including competitor responses to our products and services;
- fluctuations in currency exchange rates and interest rates;
- instability in global financial markets, including sovereign debt issues and related fiscal reforms;
- consumer disposable income and spending levels, including the availability and amount of individual consumer debt;
- changes in consumer television viewing preferences and habits;
- consumer acceptance of our existing service offerings, including our digital video, broadband internet, fixed-line telephony, mobile and business service offerings and of new technology, programming alternatives and other products and services that we may offer in the future;
- our ability to manage rapid technological changes;
- our ability to maintain or increase the number of subscriptions to our digital video, broadband internet, fixed-line telephony and mobile service offerings and our average revenue per household;
- our ability to provide satisfactory customer service, including support for new and evolving products and services;
- our ability to maintain or increase rates to our subscribers or to pass through increased costs to our subscribers;
- the impact of our future financial performance, or market conditions generally, on the availability, terms and deployment of capital;
- changes in, or failure or inability to comply with, government regulations in the markets in which we operate and adverse outcomes from regulatory proceedings;
- government intervention that could open our broadband distribution networks to competitors;
- our ability to obtain regulatory approval and satisfy other conditions necessary to close acquisitions and dispositions and the impact of conditions imposed by competition and other regulatory authorities in connection with acquisitions, including the impact of the conditions imposed in connection with the Ziggo Acquisition (as defined in this annual report);

- 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 or Liberty Global acquire, such as with respect to the Ziggo Acquisition;

- changes in laws or treaties relating to taxation, or the interpretation thereof, in the markets in which we operate;

- changes in laws and government regulations that may impact the availability and cost of credit and the derivative instruments that hedge certain of our financial risks;

- the ability of suppliers and vendors to timely deliver quality products, equipment, software and services;

- the availability of attractive programming for our digital video services and the costs associated with such programming, including retransmission and copyright fees payable to public and private broadcasters;

- uncertainties inherent in the development and integration of new business lines and business strategies;

- our ability to adequately forecast and plan future network requirements;

- the availability of capital for the acquisition and/or development of telecommunications networks and services;

- problems we may discover post-closing with the operations, including the internal controls and financial reporting process, of businesses we acquire, including in relation to the Ziggo Acquisition;

- the leakage of sensitive customer data;

- the outcome of any pending or threatened litigation;

- the loss of key employees and the availability of qualified personnel;

- changes in the nature of key strategic relationships with partners and joint venturers; and

- events that are outside of our control, such as political unrest in international markets, terrorist attacks, malicious human acts, natural disasters, pandemics and other similar events.

The broadband distribution and mobile service industries are changing rapidly and, therefore, the forward-looking statements of expectations, plans and intent in this annual 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 annual 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.

BUSINESS OF ZIGGO GROUP HOLDING

*In this "Business" section, unless the context otherwise requires, the terms "we", "our", "our company", and "us" refer to Ziggo Group Holding B.V. (*Ziggo Group Holding*, formerly known as LGE Intermediate HoldCo B.V.) and its consolidated subsidiaries. Unless otherwise indicated, operational and statistical data, including subscriber statistics and product offerings, are as of December 31, 2014.*

Introduction

We are a subsidiary of Liberty Global plc (Liberty Global) that operates the largest cable network in the Netherlands in terms of video subscribers. We provide video, broadband internet and fixed-line telephony over our broadband communications network and mobile services as a mobile virtual network operator (MVNO). We estimate our network covers 93% of the country by homes passed as of December 31, 2014. Our services are provided through UPC Nederland B.V. (UPC Nederland) and Ziggo Holding B.V. (formerly known as Ziggo N.V., Ziggo). UPC Nederland's network covers six regional areas, including the cities Amsterdam, Rotterdam and Eindhoven (the UPC Nederland footprint). Ziggo's network covers six regionals areas, including the cities the Hague, Utrecht, Maastricht, Groningen and Tilburg (the Ziggo footprint).

Liberty Global is the largest international cable company with operations in 14 countries. Liberty Global connects people to the digital world and enables them to discover and experience its endless possibilities. Liberty Global's market-leading triple-play services are provided through next-generation networks and innovative technology platforms that connected 27 million customers subscribing to 56 million television, broadband internet and telephony services as of December 31, 2014. In addition, Liberty Global served 5 million mobile subscribers across nine countries at year-end 2014.

We classify our customers based on our main subscription-based business activities. The following table shows our operating statistics, separated by the UPC Nederland footprint and the Ziggo footprint, as of and for the period ending December 31, 2014. The operating statistics for both the UPC Nederland footprint and the Ziggo footprint are presented in this table in accordance with Liberty Global policies, which policies differ in certain respects from those of Ziggo, prior to the Ziggo Acquisition, as defined and described below.

	December 31, 2014		
	UPC Nederland footprint	Ziggo footprint	Total
Footprint			
Homes Passed (1)	2,853,400	4,129,300	6,982,700
Two-way Homes Passed (2)	2,838,700	4,129,300	6,968,000
Customer relationships			
Customer Relationships (3)	1,571,400	2,720,200	4,291,600
RGUs per Customer Relationship	2.3	2.3	2.3
Subscribers (RGUs) (4)(9)			
Digital Cable (5)	1,122,200	2,265,100	3,387,300
Analog Cable (6)	446,800	455,300	902,100
Total Video	1,569,000	2,720,400	4,289,400
Internet (7)	1,111,600	1,954,400	3,066,000
Telephony (8)	992,100	1,583,900	2,576,000
Total RGUs (10)	3,672,700	6,258,700	9,931,400
Penetration			
Digital Cable as % of Total Video Subs	71.5%	83.3%	79.0%
Broadband Internet as % of Two-way Homes Passed	39.2%	47.3%	44.0%
Telephony as % of Two-way Homes Passed	34.9%	38.4%	37.0%
Customer bundling			
Single Play	27.5%	26.1%	26.6%
Double Play	11.2%	17.7%	15.3%
Triple Play	61.3%	56.2%	58.1%
Mobile statistics			
Mobile subscribers (11)	1,300	128,200	129,500

(1) Homes Passed are homes, residential multiple dwelling units or commercial units that can be connected to our networks without materially extending the distribution plant. Our Homes Passed counts are based on census data that can change based on either revisions to the data or from new census results. Due to the fact that we do not own the partner networks (defined below) used in our footprints (see note 10), we do not report homes passed for partner networks.

(2) Two-way Homes Passed are Homes Passed by those sections of our networks that are technologically capable of providing two-way services, including video, internet and telephony services.

(3) Customer Relationships are the number of customers who receive at least one of our video, internet or telephony services that we count as RGUs, without regard to which or to how many services they subscribe. Customer Relationships generally are counted on a unique premises basis. Accordingly, if an individual receives our services in two premises (e.g., a primary home and a vacation home), that individual generally will count as two Customer Relationships. We exclude mobile customers from Customer Relationships.

(4) RGU is separately an Analog Cable Subscriber, Digital Cable Subscriber, Internet Subscriber or Telephony Subscriber (as defined and described below). A home, residential multiple dwelling unit, or commercial unit may contain one or more RGUs. For example, if a residential customer subscribed to our digital cable service, telephony service and broadband internet service, the customer would constitute three RGUs. Total RGUs is the sum of Analog Cable, Digital Cable, Internet and Telephony Subscribers. RGUs generally are counted on a unique premises basis such that a given premises

does not count as more than one RGU for any given service. On the other hand, if an individual receives one of our services in two premises (e.g., a primary home and a vacation home), that individual will count as two RGUs for that service. Each bundled cable, internet or telephony service is counted as a separate RGU regardless of the nature of any bundling discount or promotion. Non-paying subscribers are counted as subscribers during their free promotional service period. Some of these subscribers may choose to disconnect after their free service period. Services offered without charge on a long-term basis (e.g., VIP subscribers, free service to employees) generally are not counted as RGUs. We do not include subscriptions to mobile services in our externally reported RGU counts.

(5) Digital Cable Subscriber is a home, residential multiple dwelling unit or commercial unit that receives our digital cable service over our broadband network or through a partner network. We count a subscriber with one or more digital converter boxes that receives our digital cable service in one premises as just one subscriber. A Digital Cable Subscriber is not counted as an Analog Cable Subscriber. As we migrate customers from analog to digital cable services, we report a decrease in our Analog Cable Subscribers equal to the increase in our Digital Cable Subscribers. As discussed in further detail in note 6 below, Basic Digital Cable Subscribers (defined below) in the UPC Nederland footprint are not included in the Digital Cable Subscriber count. Subscribers to digital cable services provided by our operations over partner networks receive analog cable services from such partner network as opposed to our operations.

(6) Analog Cable Subscriber is a home, residential multiple dwelling unit or commercial unit that receives our analog cable service over our broadband network. The Analog Cable Subscriber count also includes subscribers in our UPC Nederland footprint who may use a purchased set-top box or other means to receive our basic digital cable channels without subscribing to any services that would require the payment of recurring monthly fees in addition to the basic analog service fee (Basic Digital Cable Subscriber). Our Basic Digital Cable Subscribers are attributable to the fact that our basic digital cable channels are not encrypted in the UPC Nederland footprint.

(7) Internet Subscriber is a home, residential multiple dwelling unit or commercial unit that receives internet services over our networks, or that we service through a partner network.

(8) Telephony Subscriber is a home, residential multiple dwelling unit or commercial unit that receives voice services over our networks, or that we service through a partner network. Telephony Subscribers exclude mobile telephony subscribers.

(9) Our business-to-business (B2B) revenue includes revenue from small or home office ("SOHO") subscribers that pay a premium price to receive enhanced service levels along with video, internet or telephony services that are the same or similar to the mass marketed products offered to our residential subscribers. All mass marketed products provided to SOHOs, whether or not accompanied by enhanced service levels and/or premium prices, are included in our RGU and customer counts, with only those services provided at premium prices considered to be "SOHO RGUs" or "SOHO customers". With the exception of our business SOHO subscribers, we generally do not count customers of B2B services as customers or RGUs for external reporting purposes.

(10) Pursuant to service agreements, we offer digital cable, broadband internet and telephony services over networks owned by third-party cable operators ("partner networks"). A partner network RGU is only recognized if there is a direct billing relationship with the customer. No operating statistics for the COGAS N.V. (COGAS) partner network have been included in the Ziggo footprint column due to the fact that the COGAS partner network is no longer a part of the Ziggo Footprint following the termination of the underlying agreement effective as of January 1, 2015.

(11) Our mobile subscriber count represents the number of active subscriber identification module (SIM) cards in service.

History

Ziggo Acquisition

On January 27, 2014, Ziggo entered into a merger protocol (the Merger Protocol) with LGE Holdco VII B.V. (Bidco), our indirect wholly-owned subsidiary, and Liberty Global, as guarantor, in which Bidco agreed to make, declare unconditional and settle a public offer (the Public Offer) for all shares of Ziggo not already held by Liberty Global and its subsidiaries on the terms of and subject to the conditions of the Merger Protocol (the Ziggo Acquisition). On June 27, 2014, Bidco launched the Public Offer, which was declared unconditional by Bidco on November 5, 2014.

We were formed by Liberty Global on September 2, 2014, in contemplation of consummation of the Ziggo Acquisition. On November 6, 2014, we acquired LGE HoldCo V B.V., which as of the date thereof, owned 20.7% of the outstanding share capital of Ziggo from Liberty Global Incorporated Limited, a wholly-owned subsidiary of Liberty Global. We further contributed the capital stock of LGE HoldCo V B.V. to LGE Holdco VIII B.V., our wholly-owned indirect subsidiary and direct wholly-owned subsidiary of Bidco. On November 11, 2014, Bidco completed the initial settlement of the Public Offer and acquired 67.2% of the shares of Ziggo, which, together with the shares already held by its subsidiary, LGE HoldCo V B.V., represented approximately 87.9% of the outstanding shares of Ziggo thereby consummating the Ziggo Acquisition in accordance with the Merger Protocol. Following completion of the post-closing settlement, Bidco completed the final settlement of the Public Offer on November 24, 2014 acquiring approximately 10.6% additional shares of Ziggo during the Post-Closing Settlement period, which, together with the shares already held by Bidco and its subsidiaries, represented approximately 98.4% of the outstanding shares of Ziggo. On November 25, 2014, Bidco and LGE Holdco VIII B.V. contributed all their shares in Ziggo to LGE Holdco V B.V. in exchange for shares in LGE Holdco V B.V.

Following consummation of the Public Offer, LGE Holdco V B.V. initiated a statutory squeeze-out procedure in accordance with article 2:359c and 2:92a of the Dutch Civil Code in order to acquire the remaining shares not owned by Liberty Global (the "Statutory Squeeze-out"). Upon completion of the Statutory Squeezeout, Liberty Global will indirectly own 100% of the share capital of Ziggo. In addition, on December 22, 2014, Ziggo was delisted from the Euronext Amsterdam and converted to a private limited company.

In March 2015, Liberty Global completed an internal reorganization of its broadband and wireless communications businesses in the Netherlands, pursuant to which, UPC Nederland and Ziggo became subsidiaries of our company. For more information regarding the internal reorganization, see note 12 to the consolidated financial statements of UPC Nederland as included in Part II of this annual report

Ziggo

Ziggo was established on February 1, 2007, following the merger of @Home, Casema and Multikabel. Since May 2008, these three companies have operated under the Ziggo brand name. Since 1999, @Home had been one of the largest cable television operators in the Netherlands. It offered entertainment, communications and data through digital television and radio channels. Casema was a leading Dutch cable television provider that offered a range of services, including television, broadband internet, internet protocol television, telephony and data communications. Multikabel served homes, companies and institutions with television and radio programs.

UPC Nederland

UPC Nederland was one of the broadband operations held by UnitedGlobalCom at the time it and LMI International were acquired by Liberty Global on June 15, 2005, through a series of mergers. UnitedGlobalCom was the largest international broadband communications provider of video, internet and fixed-line telephony outside the United States with operations in 16 countries, including the Netherlands. LMI International provided broadband distribution services and video programming services to customers in Europe, Japan, Latin America and Australia. Prior to the consummation of the March 2015 Liberty Global reorganization transactions described above, UPC Nederland was a wholly-owned subsidiary of UPC Holdings B.V., a wholly-owned subsidiary of Liberty Global.

Our Services

We offer a variety of broadband services over our cable network, including video, broadband internet and telephony. Our network is almost fully bi-directional and EuroDOCSIS 3.0 enabled. This network enables us to provide premium digital video services, broadband internet services at very high speeds and fixed-line telephony services. Our video service offerings include basic and premium programming, and incremental product and service offerings, such as enhanced pay-per-view programming, including video-on-demand (VoD), digital video recorders (DVR) and high definition (HD) television services. Our residential subscribers generally access our broadband internet services via cable modems connected to their personal computers at various speeds depending on the tier of service selected. We determine pricing for each different tier of internet service through analysis of speed, market conditions and other factors. For our internet customers, we deployed community WiFi branded "WiFiSpots", to allow customers seamless access to WiFi when they are away from home. We offer our telephony services using voice-over-internet-protocol or "VoIP" technology. Our key product offer is our triple-play bundles consisting of digital video, broadband internet and fixed-line telephony. As an additional service for our customers, we offer certain mobile voice and data services.

We generate revenue principally from relationships with our customers who pay subscription fees for the services provided. Subscription fees for our basic video services are typically paid directly by single family homes (or single dwelling units) subscribing to the service. Single family home customers also pay us directly for the subscription fees associated with our premium video services, as well as the broadband internet, fixed-line telephony and mobile services they purchase from us.

In addition to our residential services, we also offer a range of voice, broadband internet and data services to business, or B2B, customers. We tailor these services to the needs of our B2B customers. Our WiFiSpots and our mobile offerings are a key part of our B2B services. Prices for these services are established based on the size of the customer and types of services received.

Video Services

Our cable operations offer a full range of video services, including basic and premium programming and incremental product and service offerings, such as HD channels, DVR, HD receivers, HD DVR, an electronic programming guide and access to VoD. We have also enhanced pay-per-view programming and/or programming in programming in three-dimensional (3D) format, which we distribute through VoD. In the UPC Nederland footprint, we also offer a multimedia home gateway "Horizon TV", which will also become available in the Ziggo footprint in 2015, see *Interactive Services* below. We currently market our video services under the "Ziggo" brand in the Ziggo footprint and under the "UPC" brand in the UPC Nederland footprint. We plan to integrate our marketing plans under the "Ziggo" brand in 2015.

To receive our digital services, a subscriber must obtain from us a set-top box and a conditional access security card, or a "smart card". Customers in the UPC Nederland footprint rent the set-top box from us, whereas, customers in the Ziggo footprint must purchase the set-top box. In either case, the customer may self-install. In lieu of a set-top box, a subscriber may use a common interface plus (CI+) module in combination with a smart card to access our digital services. A CI+ module is a small device that allows customers with a CI+ enabled television set, which subscribe to, or otherwise have access to, our digital video service, to view such services without a set-top box. No set-top box, smart card or CI+ module is, however, required to receive our unencrypted basic digital services in the UPC Nederland footprint. Accordingly, subscribers with the necessary equipment in the UPC Nederland footprint and who pay the monthly subscription fee for our analog package are able to also receive our basic digital services. We plan to harmonize our digital video offering within the two footprints in 2015 after which unencrypted channels will also be made available in the Ziggo footprint. Regardless of whether basic digital channels are offered on an unencrypted basis, expanded channel packages and premium channels and services continue to be available for an incremental monthly fee in all of our markets.

We offer multiple tiers of digital video programming and audio services starting with a basic digital cable service. In the UPC Nederland footprint, subscribers to our basic digital cable service generally receive 30 digital video channels (including three, which are HD), up to 30 analog video channels and 30 analog radio channels. Because the basic digital service in the UPC Nederland footprint is unencrypted, the cost is the same as the monthly fee for our basic analog cable service. In the Ziggo footprint, subscribers to our basic digital cable service generally receive 60 digital video channels (including 20, which are HD), up to 25 analog video channels and several digital and analog radio channels. Our basic digital service in the Ziggo footprint is at the same cost as the monthly fee for our basic analog service. We tailor video services based on programming preferences, culture, demographics and local regulatory requirements. Our channel offerings include general entertainment, sports, movies, documentaries, lifestyles, news, adult, children and ethnic and foreign language channels. In each of our footprints, we also offer a variety of premium channel packages to meet the special interests of our subscribers.

For an additional monthly charge, a subscriber in either footprint may upgrade to one of our extended digital tier services and receive an increased number of video and radio channels, including the channels in the basic tier service and additional HD channels. Digital subscribers may also subscribe to one or more packages of premium channels, including additional HD channels. Premium channels available include HBO, Film1, Sport1, Fox Sports International and the premium football league channel, Fox Sports Eredivisie, alone or in combination, for additional monthly charges. We also offer premium packages, such as Turkish, Chinese and Hindi channels, and an adult entertainment package. For subscribers in the UPC Nederland footprint who want access to thousands of movies and TV series, we offer "MyPrime". MyPrime is included in our extended digital tier services with our Horizon TV platform and allows a subscriber unlimited access to 1,500 movies and over 1,500 TV episodes from local and international suppliers such as ABC/Disney, NBC/Universal, CBS/Paramount, Warner TV and Sony. The MyPrime offering also includes 500 children's episodes.

In all digital tiers of service, a subscriber also has the option for an incremental monthly charge to upgrade the digital set-top box to one with DVR or HD DVR capabilities in the Ziggo footprint and to a Horizon TV box in the UPC Nederland footprint. These boxes may be purchased in the Ziggo footprint or rented in the UPC Nederland footprint. VoD services, including catch-up television, are available on a subscription basis or a transaction basis, depending on location and the tier of digital service selected by the subscriber. It is also available to CI+ users in the Ziggo footprint. A subscription-based VoD service is included in the extended digital tier for no additional charge. The subscription-based VoD service includes various programming, such as music, kids, documentaries, adult, sports or series and a limited amount of 3D programming. The transaction VoD includes over 2,000 titles of on-demand content in the UPC Nederland footprint and over 5,000 titles in the Ziggo footprint.

In addition to our digital video services, we offer limited analog services. Subscribers to our analog video service typically receive 25 to 30 channels of video service, depending on their location. Subscribers to our digital services also receive the channels available through our analog service. We continue to expand our digital services and encourage our analog subscribers to convert to a digital service.

Discounts to our monthly service fees are available to any subscriber who selects a bundle of one or more of our services: video, internet, fixed-line telephony and mobile services. Bundled services are referred to as "double-play" for two services, "triple-play" for three services and "quadruple-play" for four services.

Interactive Services

In September 2012, UPC Nederland launched Horizon TV. Horizon TV is a multimedia home gateway decoder box based on a digital television-platform that is capable of distributing video, voice and data content throughout the home and to multiple devices. The Horizon TV box allows customers to view programming information while their current program is playing and to record up to four programs simultaneously. The Horizon brand is also used to describe the family of media products that allows subscribers to view and share content across the television, computer, tablet and smartphone. For our Horizon TV subscribers, we offer applications on the gateway device that provide access to various internet services such as YouTube and Facebook. At December 31, 2014, we had 330,000 connected subscribers in the UPC Nederland footprint. We intend to expand the availability of Horizon TV to customers in the Ziggo footprint over the course of 2015.

As described above, our regular interactive DVR and HD DVR are still available in both footprints. In addition, in March 2013, Ziggo launched a fully cloud-based interactive television service using existing set-top boxes. By combining IP protocol with the standard set-top box, devices without built-in hardware functionality for interactivity can make use of Ziggo's interactive services through Ziggo's cable network. In November 2013, Ziggo introduced a CI+ 1.3 module that enables subscribers to Ziggo's digital video service to view such service without a set-top box and use a single remote control. To utilize this service, customers in the Ziggo footprint must have a CI+ 1.3 enabled television and obtain the CI+ 1.3 module and smart card from Ziggo. At December 31, 2014, we had over 690,000 interactive subscribers in the Ziggo footprint.

Both UPC Nederland and Ziggo make available certain applications to their subscribers. For our Horizon TV subscribers, we offer applications for various on-line services (such as YouTube, Facebook, Picasa and others). The Horizon family of products also includes an online television application (Horizon Go) that offers over 100 linear video channels, of which up to 80 channels are available outside the home. UPC Nederland also makes available to its subscribers an application that allows a subscriber the ability to remotely schedule the recording of a TV program on their gateway decoder box at home through an iOS or Android mobile digital device or an internet browser. An application in the Ziggo footprint allows subscribers to watch up to 50 video channels on their iOS or Android devices in the home, access an electronic program guide and browse through the on-demand library. Other applications offered by UPC Nederland and Ziggo include apps that allow customers to use their smart phone as an extension of their home phone line.

Broadband Internet

We offer multiple tiers of broadband internet service with download speeds ranging from 30 Mbps to 180 Mbps in the Ziggo footprint and 10 Mbps to 200 Mbps in the UPC Nederland footprint for our ultra high-speed internet service as part of our bundle offers. Our ultra high-speed internet service is based on Euro DOCSIS 3.0 technology, which is an international standard that defines requirements for a data transmission over a cable system. We also offer value-added broadband services for an incremental charge. These services include security (anti-virus, anti-spyware, firewall, spam protections and childproof lock) and online storage solutions. As described under "-*Mobile Services*" below, we offer mobile broadband services.

We market our broadband internet services under the "Ziggo" brand in our Ziggo footprint and under the "UPC" brand in our UPC Nederland footprint. A subscriber must subscribe to our video service in order to subscribe to our internet or fixed-line telephony service. They may do this through either a double-play option that bundles our broadband internet services with our digital video services or as a triple-play option that bundles our broadband internet services with our digital video services and our fixed-line telephony services. We offer various levels of download speeds depending on the package selected. In our core bundle products, we offer a download speed of 90 Mbps in the Ziggo footprint and 120 Mbps in the UPC Nederland footprint.

Our residential subscribers generally access the internet via cable modems connected to their personal computers at various speeds depending on the tier of service selected. This standard means of access is changing as we expand our services to offer wireless networks for the home, such as Horizon TV. Subscribers to our internet service pay a monthly fee based on the tier of service selected. We determine pricing for each different tier of internet service through analysis of speed, data limits, market conditions and other factors.

In 2013, UPC Nederland and Ziggo each launched WiFiSpots enabling broadband internet subscribers access to the internet experience outside of the home. WiFiSpots, which provide a secure access to the internet for our subscribers, are created by using the public channel of our WiFi EuroDOCSIS 3.0 modems installed at customer premises. The public channel is a separate network from the secure private network used by the customer within the home and is automatically enabled when the modem is installed. Currently, we have approximately 2.0 million WiFiSpots throughout the Netherlands. After completion of the integration of UPC Nederland and Ziggo, our subscribers can automatically access these public networks after they create a free (one-time activation) account and then connect to the secure network.

Fixed-line Telephony

Multi-feature fixed-line telephony services are available through VoIP in both footprints. We pay interconnection fees to other telephony providers when our subscribers connect with another network and receive fees from other providers when their users connect with our network through interconnection points.

Our fixed-line telephony service may be selected in combination with one or more of our other services. Our fixed-line telephony service includes a basic telephony product for line rental and various calling plans, which may consist of any of the following: unlimited network, national or international calling, unlimited off-peak calling and minute packages, including calls to fixed and mobile phones. Fixed-line telephony products offered as part of our bundles include a flat rate connection and unlimited calls to fixed-lines in the Netherlands. We offer various flat rate plans for international calls. In addition, we offer value-added services, such as a second phone line, a personal call manager and unified messaging, at an incremental cost.

Mobile Services

Ziggo launched mobile telephony services in September 2013, and UPC Nederland launched mobile telephony services in October 2014. Prior to the October launch, UPC Nederland provided only a mobile data service. Our mobile services are offered as an option to customers who subscribe to at least one of our other products, video, broadband internet or fixed-line telephony. Each of Ziggo and UPC Nederland introduced mobile service as part of their strategy to offer customers a full product portfolio from a single source, with the aim to increase customer loyalty and satisfaction.

Ziggo and UPC Nederland provide their mobile service, both internet and voice, through partnerships with third party mobile network operators. In the UPC footprint, we own the core network, including the mobile phone numbers, switching, backbone, voice and data interconnections, and lease the third party's radio access network. In the Ziggo footprint, we outsource the core network to a third party. These arrangements permit us to offer our customers unique and converged fixed and mobile services without having to build and operate a cellular radio tower network.

UPC Nederland subscribers pay varying monthly fees depending on whether the mobile service is included with our fixed-line telephony service or includes mobile data services via mobile phones or laptops. Ziggo subscribers to a double- or triple-play bundle that includes fixed-line internet service receive a discount on their mobile service fee. Our mobile services include voice, short message service (or SMS) and internet or data access under a postpaid monthly service plan. We also typically charge a one-time activation fee to our customers for each SIM card. We plan to do a full commercial marketing launch of our mobile services in 2015 under the brand name "Ziggo".

Business Services

In addition to our residential services, we offer a range of voice, broadband internet and data services to business customers. Our B2B services are designed with a wide variety of options to meet the specific demands of the business customer, including increased data transmission speeds and virtual private networks. Our business customers range from SOHO (generally fewer than 20 employees) to medium and large enterprises. The B2B services of Ziggo and UPC Nederland focus primarily on the SOHO and small to medium businesses already connected to our network. The services for our B2B customers include a core bundle offer with a maximum download speed of 200 Mbps. Our services to B2B customers are characterized by additional features, such as static IP addresses, on-line security, hosting, higher upload speeds, cloud services, multiline telephony services and a premium pricing structure. We also offer mobile data and voice services for B2B customers, as well as a business television service. For B2B customers requiring multiple television services, such as hospitals, holiday parks and penitentiaries, we offer a standard video package for further distribution by the B2B customer.

Our business services are provided to customers at contractually established fees based on the size of the business and type of services received. SOHO customers pay a premium price to receive enhanced service levels along with video, internet or telephony services (including mobile) that are the same or similar to the mass marketed products offered to our residential subscribers. For medium to large enterprises, we enter into individual agreements that address their needs. These agreements are for a period of one or more years. In addition to providing B2B services over our networks, we also have agreements to provide these services to our B2B customers over dedicated fiber lines and third party fiber networks.

Operations

Marketing and Sales

We market and sell our products to customers using a broad range of sales channels, primarily online sales through our website, inbound and outbound telemarketing and partner retailers. We also sell our services direct to the customers at certain marketing events and through our own retails stores.

We encourage customers to purchase our services and products (such as receivers) through our website. We believe our website provides customers a clear explanation of our services and pricing. We currently outsource our inbound and outbound telemarketing operations to external service providers. We also have exclusive stores and partner shops in various cities in our footprints. We further target residential customers through partnerships with retail outlets, such as multi-media retailers, electronics and telecommunications stores. The sales through these partnerships generally focus on digital video services.

For our B2B sales, we have a team of dedicated in-house sales support managers who work exclusively with our key account customers. These managers develop and cultivate close working relationships with our key account customers and work with residential sales teams to generate customer sales leads and increase retention of existing customers.

Customer Service

Our customer service operations are responsible for all customer care activities, including handling customer queries and complaints. Their focus is on developing and enhancing customer lifetime management as well as offline and online marketing integration. In addition, customer service also provides inbound telemarketing and sales support functions for residential and SOHO customers. In the Ziggo footprint, to reduce our customer service call volume, we utilize a self-service option provided by our automated online customer service agent, “Tess”. In addition, in both footprints, we utilize an automated voice response center and social media to reduce customer call volume. We also operate dedicated customer service centers in Utrecht, the Hague and Zwolle.

Our customer service agents are skilled in multiple areas, including marketing campaigns, customer care and sales for a variety of products as well as technical service. All of our customer service agents are regularly trained in soft skills and on new product offerings. We also have a specialized team for sales and customer care in relation to our B2B services and also teams specifically focusing on customer retention as well as complaint management.

We are required to operate a “switch desk”, which enable customers to transition between different television, internet access and telephony (including mobile) service providers with minimal disruption to their service.

Network and Technology

Our video, broadband internet and telephony services are transmitted over a hybrid fiber coaxial cable network. Our hybrid fiber coaxial cable network consists of national and regional fiber networks, which are connected to the home over the last few hundred meters by coaxial cable. This network allows for two-way communications and is flexible enough to support our current services, as well as new services. In addition, the capacity available on our network increases as our analog subscribers switch to a digital service and we reduce the number of our analog channels. This is because multiple digital channels can be compressed into the same space as one analog channel in the broadcast spectrum. The available space can then be used for other purposes such as VoD services and high broadband speeds.

We also provide our services over certain cable networks owned by third parties. We offer this service on an exclusive and non-exclusive basis to small cable network owners who have not developed the capability to offer premium products, such as digital video, broadband internet and telephony. The 7.0 million homes passed on our network excludes homes reached by a third party owned network.

We closely monitor our network capacity and customer usage. Where necessary, we increase our capacity incrementally, for instance by splitting nodes in our network. In addition, we continue to explore new technologies that will enhance our customer’s television experience, such as:

- recapturing bandwidth and optimizing our networks by increasing the number of nodes in our markets and using digital compression technologies;
- using wireless technologies to extend our services outside the home;
- offering remote access to our video services through personal computers, tablets and smart phones; and
- expanding the availability of Horizon TV and related products.

Supply Sources

For our video services, we license most of our programming and on-demand offerings from content providers and third-party rights holders, including broadcasters and cable programming networks. For such licenses, we generally pay a monthly fee on a per channel or per subscriber basis. However, certain of our providers require us to pay minimum guarantees. We generally enter into long-term programming licenses with volume discounts and marketing support. For on-demand programming, we generally enter into shorter-term agreements and also pay royalties based on our subscribers' usage. To accommodate our customers' needs for video access everywhere, we have signed agreements with large commercial broadcasters in the Netherlands pursuant to which we pay them for the right to distribute their content through our network through all available means, including via HD, VoD and "TV Everywhere".

We purchase each type of customer premises equipment from a number of different suppliers. Customer premises equipment includes set-top boxes, DVRs, tuners and similar devices. For each type of equipment, we retain specialists to provide customer support.

We license software products, including email and security software, and content, such as news feeds, from several suppliers for our internet services. The agreements for these products require us to pay on a per subscriber basis for software licenses and a share of advertising revenue for content licenses. For our telephony services, we license software products, such as voice mail and caller ID, from a variety of suppliers. For these licenses we attempt to enter into long-term contracts, which generally require us to pay based on usage of the services.

Competition

The markets for video, broadband internet, fixed-line telephony and mobile services are highly competitive and rapidly evolving. Consequently, we have faced and are expected to continue to face significant competition in these markets. The percentage information provided below is based on information from the subscription based website DataXis for the third quarter of 2014.

Video Distribution

We are the largest cable television provider in the Netherlands based on the number of video cable subscribers. Our video cable services are available to approximately 92% of the television households in the Netherlands and we serve approximately 58% of the total television market. In providing these services, we compete directly with various providers of communication and entertainment services. We experience most of our competition from other fixed-line telecommunications carriers and broadband providers, including the incumbent telephony operator Royal KPN NV (KPN). KPN offers (a) internet protocol television (IPTV) over fiber optic lines to the home, cabinet or building or to the node networks (FTTx), (b) IPTV through broadband internet connections using digital subscriber line (DSL), asymmetric digital subscriber line (ADSL) or very high-speed digital subscriber line (VDSL) or an enhancement to VDSL called "vectoring", (c) digital terrestrial television (DTT), which transmits digital signals over the air providing a greater number of channels and better quality than traditional analog broadcasting, and (d) long-term evolution wireless service, the next generation of ultra high-speed mobile date (LTE). In addition, we experience competition from (1) DTH satellite service providers; (2) over-the-top video content aggregators utilizing our or our competitors' high-speed internet connections; and (3) movie theaters, video stores, video websites and home video products. We also compete to varying degrees with other sources of information and entertainment, such as online entertainment, newspapers, magazines, books, live entertainment/ concerts and sporting events. Free-to-air television is not a significant competitive factor because the Netherlands is predominately a pay television market.

Our principal competition in the provision of video services is from KPN and the direct-to-home (DTH) provider Canal Digitaal, a subsidiary of M7 Group S.A. Portions of our systems have been overbuilt by KPN's and other providers' FTTx networks. Based on research of various telecommunication publications, including by the Organization for Economic Cooperation and

Development, and internal estimates, approximately 28% of our footprint in the Netherlands is overbuilt by KPN's FTTx network. In addition, mobile broadband has gained a noticeable share of subscribers, and as accessibility to video content on the internet increases, over-the-top viewing is becoming a competitive factor.

KPN is a significant competitor. KPN provides subscription video services to 27% of the total subscription television households in the Netherlands. Its ability to offer bundled triple-play of video, broadband internet and telephony services and a quadruple-play with mobile services, is exerting growing competitive pressure on our operations, including the pricing and bundling of our video products. Its VDSL service includes VoD and DVR functionality, including restarting and second screen viewing. Although KPN's DTT services are generally priced below our basic video service, it offers a limited number of channels and, similar to DTH, does not have two-way functionality that would permit interactive services. In addition, the FTTx networks of Reggefiber Group B.V. (a subsidiary of KPN) are a competitive factor in a number of cities and villages. Reggefiber Group B.V. continues to expand these networks within our service area. Canal Digitaal, which offers DTH and DTT services, provides subscription video services to 12% of the total subscription television households in the Netherlands.

To meet the challenges in this competitive environment, we tailor our packages in line with one or more of three general strategies: attractive channel offerings, recurring discounts for bundled services and loyalty contracts. In addition, we seek to compete by accelerating the migration of our customers from analog to digital services, using advanced digital features such as HD, DVRs, VoD, catch-up television, which are an integral part of our digital services. To further enhance our digital video services in the UPC Nederland footprint we offer Horizon TV and Horizon Go. These services allow subscribers to personalize their programming. In the Ziggo footprint, we expanded our interactive video options through a CI+ 1.3 module that allows subscribers to have access to a cloud-based interactive television service without the need of a set-top box with interactive functionality. In addition, we continue to improve the quality of our programming and modify our video options by offering attractive content packages. Also, our triple-play bundle is used as a means of driving video, as well as other products where convenience and price can be leveraged across the portfolio of services. Our bundle options give subscribers the option to select various combinations of services, including high-speed internet and fixed-line telephony options, to meet their needs. We have also expanded our services to include mobile voice and data. In addition, we continue to explore new technologies that will enhance our customers' television experience.

Internet

With respect to broadband internet services and online content, we face competition primarily from KPN and, to a lesser extent, the telecommunications company, Tele2 Netherlands Holding NV, as well as operators using the unbundled local loop. The internet services offered by these competitors include both fixed-line broadband internet services using DSL or FTTx, and wireless broadband internet services, in a range of product offerings with varying speeds and pricing, as well as interactive computer-based services, data and other non- video services offered to homes and businesses. As the technology develops, competition from wireless services using various advanced technologies is becoming significant, such as KPN's LTE wireless services. However, we believe that the majority of mobile broadband internet users presently use it to complement, rather than to replace, fixed-line broadband internet.

KPN offers high-speed internet services with download speeds of up to 80 Mbps over its DSL network (including VDSL network). In limited areas, KPN offers ultra high-speeds of up to 500 Mbps on its FTTH network. KPN serves approximately 42% and our operations serve approximately 44%, respectively, of the total fixed-line broadband internet market in the Netherlands. In addition, KPN is the leading mobile broadband provider with competitively priced mobile internet products. To keep competitive, we promote faster speeds at competitive prices and we are expanding our mobile data services.

Our strategy is speed leadership and we seek to outperform on speed, including increasing the maximum speed of our connections and offering varying tiers of service and varying prices, as well as a variety of bundled product offerings and a range of value added services. We are also expanding our mobile data services. Our bundle strategies include offering ultra high-speed internet with speeds of up to 180 Mbps in the Ziggo footprint and up to 200 Mbps in the UPC Nederland footprint, in each case, to compete with KPN's VDSL and FTTx initiatives. Our focus continues to be on high-end internet products to safeguard our high-end customer base and allow us to become more aggressive at the low and medium-end of the internet market. By fully utilizing the technical capabilities of EuroDOCSIS 3.0 technology, we can compete with local FTTx initiatives and create a competitive advantage compared to DSL infrastructures on a national level and LTE initiatives as they expand to a national level.

Telephony

The market for fixed-line telephony services in the Netherlands is mature. Changes in market share are driven by the combination of price and quality of services provided and the inclusion of telephony services in bundled offerings. With respect to telephony services, we compete against the incumbent telecommunications operator KPN. KPN has substantially more experience in providing telephony services, greater resources to devote to the provision of telephony services and long-standing customer relationships. We also compete with other VoIP operators offering service across broadband lines and with mobile telephony providers, which are making significant advances in obtaining customers. In particular, KPN offers 4G services throughout the Netherlands and is the leading provider of mobile services in the Netherlands. We have also added mobile services as an MVNO in September 2013 in the Ziggo footprint and in October 2014 in the UPC Nederland footprint.

Because of the mature market, customers tend to be price sensitive. Therefore, our telephony strategy is focused around value leadership. We position our services as "anytime" or "any destination". Our portfolio of calling plans includes a variety of options designed to meet the needs of our subscribers. Such options include unlimited network, national or international calling, unlimited off-peak calling and minute packages, including calls to fixed and mobile phones. We offer a variety of plans to meet customer needs and we also use our bundled options without our digital video and internet services to help promote our telephony services. We expect telephony markets to remain extremely competitive. The market share of fixed-line telephony for our operations is 40% and for KPN 54%. In the mobile market, we are small compared to the competition with less than 1% of the market.

Regulatory Developments

Overview

The following section provides a summary of certain of our regulatory requirements and obligations in our key markets. This description is not intended to be a comprehensive description of all regulation in this area nor a review of specific obligations which have been imposed on us. Adverse regulatory developments could subject our businesses to a number of risks. Regulation could limit growth, revenue and the number and types of services offered and could lead to increased operating costs and capital expenditures. 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. Failure to comply with current or future regulation could expose our businesses to penalties.

The video distribution, internet and telephony markets in which we operate are regulated at the European Union level. In the Netherlands, these regulations are implemented through the *Telecommunicatiewet* (the Dutch Telecommunications Act, "DTA") and the *Mediawet* (the Dutch Media Act, "DMA") and related legislation and regulations. The Authority for Consumers and Markets ("ACM", *Autoriteit Consument & Markt*)-in which the former Independent Post and Telecommunications Authority ("OPTA", *Onafhankelijke Post en Telecommunicatie Autoriteit*) has been integrated, and the Dutch Radiocommunications Agency ("AT", *Agentschap Telecom*) supervise and enforce compliance with certain parts of the DTA. Pursuant to the DTA, ACM is designated as a National Regulatory Authority ("NRA"). The Dutch Media Authority ("CvdM", *Commissariaat voor de Media*) is authorized to enforce compliance with the DMA.

In addition to complying with industry specific regimes, we must comply with both specific and general legislation concerning, among other areas, competition, data protection, data retention, internet service provider liability, consumer protection and e-commerce.

Europe

The body of European Union (EU) law that deals with electronic communications regulation consists of a variety of legal instruments and policies (collectively referred to as the "Regulatory Framework"). The key elements of the Regulatory Framework are (i) various legal measures, which we refer to as "Directives," that require the EU's Member States to harmonize their laws and (ii) certain EU regulations that have effect without any national transposition.

The Regulatory Framework primarily seeks to open European markets for communications services. It harmonizes the rules for the establishment and operation of electronic communications networks, including cable television and traditional telephony networks, and the offer of electronic communications services, such as telephony, internet and, to some degree, television services. The Regulatory Framework does not generally address issues of content.

Although the distribution of television channels by a cable operator falls within the scope of the Regulatory Framework, the activities of a broadcaster are harmonized by other elements of EU law, in particular the Audiovisual Media Services Directive ("AVMS"). The AVMS, which was adopted on December 11, 2007, amended the European Union's existing Television Without Frontiers Directive ("TVWF"). The AVMS has been implemented in the Netherlands through the DMA. Under the AVMS, broadcasts originating in and intended for reception within an EU Member State must generally respect the laws of that Member State. Pursuant to both the AVMS and TVWF, however, and in accordance with what is referred to as the "country of origin principle”, an EU Member State must allow within its territory the free transmission of broadcast signals of a broadcaster established in another EU Member State so long as such broadcaster complies with the laws of its home state. The AVMS also establishes quotas for the transmission of European-produced programming and programs made by European producers who are independent of broadcasters.

The Netherlands

The DTA sets forth an exhaustive list of conditions that may be imposed on electronic communications networks and services. Possible obligations include interoperability and interconnection regulations, *ex ante* regulations for providers with significant market power, financial charges for universal services or for the costs of regulation, environmental requirements, data protection regulations, data retention and wiretapping obligations, appropriate technical and organizational measures to manage risks posed to security of networks and services, notification requirements, consumer protection rules, provision of customer information to law enforcement agencies and access obligations. Certain key provisions included in the DTA are described below, but this description is not intended to be a comprehensive description of all regulations in this area.

Licensing and Exclusivity

The Regulatory Framework requires the Netherlands to abolish exclusivities on public electronic communications networks and services and to allow operators into its markets. Therefore, the DTA contains a system of general authorizations. A provider of a public electronic communications network or service needs to notify ACM of its network or service, which will register the notification. The purpose of the notification is to increase transparency and to ensure effective regulation and does not constitute a formal condition for market entry.

With regard to scarce resources such as telephone numbers and frequencies, a system of licenses applies. ACM administers licenses with regard to telephone numbers. AT administers the frequency spectrum and grants licenses with regard to the use of frequencies.

Access, Interoperability and Interconnection

All providers of public electronic communications networks or services who control access to end-users are obliged to enter into negotiations upon the request of a competitor to conclude an interoperability agreement. Interoperability refers to all measures, including access and interconnection, which should be implemented to ensure end-to-end connections. If a provider does not comply with its obligation to enter into negotiations, ACM, at the other party’s request, can impose proportionate obligations on the provider in order to ensure end-to-end connectivity. Where commercial negotiation fails, ACM has the power to secure access, interconnection and interoperability in the interest of end-users.

Significant Market Power

To ensure that the telecommunications markets become genuinely competitive, ACM can impose *ex ante* regulation by means of market analysis decisions on operators or service providers that have significant market power (equated here to dominance) in a relevant market. *Ex ante* regulation means that ACM sets behavioral rules beforehand with which operators or service providers with significant market power must comply. The provisions of the DTA permit ACM to impose certain access obligations on providers of public electronic communications networks that have significant market power.

Before it can be established whether an operator or service provider has significant market power, ACM needs to determine, in accordance with the principles of general European competition law, in which relevant market(s) the operator or service provider competes. ACM must do this while taking into account the European Commission’s “Recommendation on relevant product and service markets within the electronic communications sector”, the latest version of which was published by the European Commission on October 9, 2014. ACM may also define additional relevant markets provided that any such market meets the cumulative criteria defined by the EU Commission in its so called three criteria test for determining whether a market is susceptible to *ex ante* regulation.

A company will be deemed to have significant market power if, either individually or jointly with others, it enjoys a market position equivalent to dominance, i.e., a position of economic strength affording it the power to behave to an appreciable extent independently of competitors, customers and ultimately consumers.

If ACM determines that a company has significant market power, ACM may impose one or more appropriate and proportionate obligations. These obligations relate to, among other things, access and use of specific network facilities, non-discrimination, transparency and the level of tariffs at both the wholesale and retail level. To ensure a proper functioning of the market, these obligations may not be disproportionate.

ACM completed its first round of market analyses in 2005. In 2008, ACM finished its second round of market analyses for the period of 2009-2011. In the context of the third round of market analyses, ACM adopted its market analysis decision regarding unbundled local loop and ODF (FttH) access and published its regulatory conclusions regarding the broadcasting markets in December 2011. In addition, in 2012, ACM adopted its market analysis decisions with respect to unbundled access to ODF (FttO) and low quality broadband and high quality broadband access. Between 2012 and 2013, ACM adopted its market analysis decisions regarding the fixed and mobile call termination markets. An appeal against the latter decisions is currently pending before the Dutch Supreme Administrative Court that ruled on October 15, 2014 to pose prejudicial questions to the European Court of Justice.

New market analysis decisions are expected as part of the fourth round of market analysis. It cannot be excluded that, after this round of market analyses, we will be subject to *ex ante* regulation in one or more markets. Following the European Commission's clearance decision regarding the acquisition of Ziggo by Liberty Global, ACM published a draft market analysis decision on unbundled (local loop) access (wholesale local network access at a fixed location) on October 31, 2014. In this draft decision ACM found that there is a risk of joint dominance of KPN and Ziggo Group Holding in the related retail broadband internet access market, to be remedied on the wholesale market for local network access, where ACM found that KPN has significant market power. This draft decision is subject to national consultation, which closed on December 12, 2014, followed in a later stage by notification to the European Commission. The final decision is expected to be published by ACM in the Spring of 2015.

ACM has found that we have significant market power in the wholesale market for call termination on public telephone networks at a fixed location (hereinafter referred to as the "call termination market"). The relevant ACM decision is discussed below.

ACM Call Termination Market Analysis Decisions

In respect of the call termination market, ACM has taken the view that all providers of call termination on fixed-line and mobile networks in the Netherlands have significant market power because all such providers exclusively control access to end-users connected to their respective public telephone networks. As a result, in relation to fixed call termination services, we have been subject to specific *ex ante* obligations, including in particular tariff regulation (maximum termination charges), since ACM's initial market analysis decision of July 7, 2010. On August 5, 2013, ACM published its latest market analysis decision on the mobile and fixed call termination markets. ACM determined that the maximum charges for fixed-line termination should be lowered from €0.0037 per minute to €0.00108 per minute and for mobile termination from €0.024 per minute to €0.01019 per minute. These tariff caps would enter into force from September, 1, 2013 and apply for a three year period. The decision was appealed by various operators, including ourselves, and on August 27, 2013, the Dutch Supreme Administrative Court decided in a preliminary decision that the decrease of cap charges should be less steep than ACM had initially determined, resulting in a price cap for fixed-line termination of €0.00302 per minute and a cap for mobile termination of €0.01861 per minute. These caps apply until the Dutch Supreme Administrative Court has arrived at a final decision in the appeal proceedings on the merits. This final decision is not expected before the end of 2015 given that (i) the Dutch Supreme Administrative Court ruled on October 15, 2014 and (ii) the Dutch Supreme Administrative Court wishes to pose prejudicial questions to the European Court of Justice.

ACM Broadcast Market Analysis Decision

In December 2011, ACM completed a market assessment of the television market in the Netherlands, concluding that there were no grounds for regulation of that market. On December 22, 2011, referring to its final assessment of the television market, ACM rejected previously filed requests from a number of providers to perform a new market analysis of the television market. This decision by ACM was appealed by those providers at the Dutch Supreme Administrative Court. On November 5, 2012, the Dutch Supreme Administrative Court rejected the appeals against ACM's decision.

In May 2012, the Dutch Parliament adopted laws that provide, among other matters, the power to ACM to impose an obligation for the mandatory resale of television services and to CvdM to supervise such resale obligation. These laws became effective on January 1, 2013 notwithstanding the above-described November 5, 2012 decision of the Dutch Supreme Administrative Court. On January 29, 2014, the district court of The Hague, in a proceeding initiated by UPC Nederland, declared the resale obligation non-binding because it infringes EU law. The Dutch Government did not appeal the January 2014 decision, and the resale obligation law has now been formally withdrawn by an Act of November 26, 2014. Although not contemplated at this point in time, we cannot predict whether the Dutch government will seek to enact new resale obligation regulations, whether our operations may otherwise (on the basis of a market analysis by ACM) become subject to resale obligation regulation, or the effect on our results of operations, cash flows or financial position from any implementation of such a resale regime.

End-user Protection

As a provider of public electronic communication networks and services, we are subject to specific regulations aiming to protect end-users, including regulations concerning information obligations toward consumers, the enactment of amendments to end-user contracts, the term of end-user contracts, termination rights of consumers, quality reporting, access to emergency numbers and subscriber information. Access to emergency numbers has to be provided without limitation and free of charge. Access to subscriber information includes the provision of access to the names, addresses and telephone numbers of our subscribers who have consented to be included in directory enquiry services.

Data Protection

For providers of public electronic communications networks or services, a strict data protection regime applies in the Netherlands. In addition to the general data protection framework of the Data Protection Act (*Wet bescherming persoonsgegevens*), the DTA sets out specific regulations for providers of public electronic communications networks and services. These regulations entail technical facilities that must be offered, such as specification of invoices, telephone number identification and transfer of calls. Apart from this, the DTA provides rules regarding the use and processing of location data and traffic data (i.e., call detail records), subscriber lists, security breaches and spam. The DTA also obliges providers of public electronic communications networks to notify ACM in case of a data security breach (a security breach which has negative consequences for personal data processed by the provider). In certain circumstances, persons involved will need to be informed as well. Non-compliance with the DTA can lead to a fine.

On January 5, 2012, European Directory Assistance (“EDA”), a Belgian operator of directory services, lodged dispute resolution proceedings before ACM asserting rights to access our fixed-line telephony customer database for the purpose of setting up a pan-European directory service. In these proceedings ACM requested the Dutch Data Protection Authority to address the question whether the permission that was granted to us by our customers was sufficient to cover the inclusion of their address details in foreign directory services. On October 24, 2012, the Dutch Data Protection Authority concluded that the permission provided by our customers does not include foreign directory services. As a result, ACM had to decide whether we have an obligation to provide EDA access to our customer base and whether we need to request permission from our customers to include them in foreign directory services. On June 5, 2013, the ACM concluded that we are obliged to provide subscriber information to EDA. ACM indicated in its decision that the subscribers in question have to consent to providing their information to foreign directory services. We have appealed the decision of the ACM to the Dutch Supreme Administrative Court. This appeal is still pending. The result may be that we have to request additional consent from the relevant subscribers, which would adversely impact our business and lead to additional costs.

Lawful Interception and Data Retention

Providers of public telecommunication networks and services can only make their networks and services available to the public if they have arranged their networks and services in such a manner that they can be wiretapped promptly. Providers of public telecommunication networks and services are obligated to cooperate fully in the execution of a lawfully given special tapping order or permission, in accordance with the technical and procedural requirements set forth on the basis of the DTA.

On 11 March 2015 the Court decided in summary proceedings to annul the Dutch data retention law. This means, as is confirmed by the Ministry of Justice, that from that moment on providers of public telecommunications networks and services are no longer obliged under the data retention act to retain the traffic and location data and the related data necessary to identify the client or user for the investigation, detection and prosecution of serious criminal offenses.

Net Neutrality

On January 1, 2013, certain provisions in the DTA with respect to net neutrality entered into force. These provisions regulate net neutrality by, among other things, prohibiting operators of public telecommunication networks through which internet access is provided as well as internet service providers from blocking or restricting services or applications which are accessed via the internet other than in circumstances set forth in the DTA.

Radio and Television Transmission

The distribution of must-carry television services to the public is regulated by the DMA, entailing obligations regarding the transmission of specified radio and television broadcast channels. On January 1, 2014, the revised DMA with respect to the "must carry" obligation entered into force. The revised DMA provides that the "must carry" obligation will not only apply to cable operators as was the case over the last years, but will apply to all providers of analog and digital program packages based on the principle of technology neutrality. Providers of digital program packages with 100,000 or more subscribers are subject to the obligation to provide at least 30 television channels. The revised DMA stipulates that the digital program package should include as a "must carry" obligation the three Dutch television public broadcasting channels, the three Belgian (Dutch language) public television broadcasting channels, a limited amount of regional and local television broadcasting channels and a number of digital radio broadcasting channels. In addition, for all providers of analog program packages with 100,000 or more subscribers, the obligation is included to provide at least 15 television channels. Analog program packages should at least include as a "must carry" obligation the three Dutch television public broadcasting channels, two Belgian (Dutch language) public television broadcasting channels, a limited amount of regional and local television broadcasting channels and some analog radio broadcasting channels. The so- called 'programme councils' have been abolished as from January 1, 2014. The Dutch Media Authority can grant a (conditional) exemption from the obligations if the "must carry" obligations listed above give rise to disproportionate costs for the network operator, an impediment to innovation or other unreasonable outcomes.

There is no regulated financing mechanism in place between network operators and broadcasters. Commercial and public program providers must negotiate with network operators regarding transmission fees.

Mobile Telecommunication Services

In May 2010, we acquired licenses for the use of 2.6 GHz spectrum, totalling 2×20 MHz through a joint venture jointly owned by Ziggo and UPC Nederland. These licenses are regulated by the DTA. The licenses contain roll-out obligations. Accordingly, we must provide, per license, a public communication service with a geographical coverage of at least 80 square km within two years after obtaining the license (i.e., as of May 11, 2012), and within five years (i.e., as of May 11, 2015) a geographical coverage extending at least 800 square km in the Netherlands. We have fulfilled the first roll-out condition, and do not anticipate any difficulty in meeting the second obligation to provide a service with a geographical coverage extending to at least 800 square km.

Interference by Mobile Telecommunication Services. The 800 MHz mobile frequencies which were auctioned in 2012 are known to interfere with signals using the same frequencies in home networks and customer devices, such as televisions. Under pressure from the Ministry of Economic Affairs, a covenant was signed by both cable operators and mobile operators. This covenant specifies that the mobile operators can be liable for damages and could restrict use of certain services by cable operators in the 800MHz band.

Property Rules regarding the Network. In accordance with the Dutch Civil Code, all public fixed-line electronic communication networks are the legal property of the rightful constructer of the network or its legal successor, and not the owner of the ground in which the network resides. Registration at the Land Registry (*het Kadaster*) is required for the transfer of legal ownership and/ or to encumber public networks, for example by a right of mortgage. Registration is also required to enjoy statutory protection against title claims of third parties. We have currently registered a substantial majority of our hybrid fiber coaxial network at the Land Registry.

Conditions Applied in Connection with Ziggo Acquisition

In connection with the Ziggo Acquisition, Liberty Global obtained regulatory clearance from the European Commission on October 10, 2014, which clearance was subject to the following conditions:

- Liberty Global's commitment to divest its *Film1* channel to a third party and to carry *Film1* on our networks for a period of three years; and

- Liberty Global's commitment for a period of eight years with respect to our networks (i) not to enforce certain clauses currently contained in carriage agreements with broadcasters that restrict the ability of broadcasters to offer their channels and content via third party over-the-top services, (ii) not to enter into carriage agreements containing such clauses and (iii) to maintain adequate interconnection capacity through at least three uncongested routes into our networks, at least one of which must be with a large transit provider.

On March 27, 2015, Liberty Global agreed to sell its *Film1* channel to Sony Pictures Television Networks, which sale is subject to customary closing conditions, including regulatory approval. All five *Film1* channels will continue to be carried on our networks for a period of at least three years.

Legal Proceedings

From time to time, we may become involved in litigation relating to claims arising out of our operations in the normal course of business. For additional information, see note 10 to the consolidated financial statements of UPC Nederland B.V. and note 24 to the consolidated financial statements of Ziggo Bond Company B.V., as included in Part II of this annual report.

Employees

As of December 31, 2014, we, including our consolidated subsidiaries, have an aggregate of approximately 4,650 employees, certain of whom belong to organized unions and works councils. Certain of our subsidiaries also use contract and temporary employees, which are not included in this number, for various projects. We believe that our employee relations are good. During 2014, renegotiations of a collective labor agreement took place between several labor unions in the Netherlands and the employers' organization, *Werkgeversvereniging Energie en Nutsbedrijven*, of which we are a member. The new collective labor agreement covers the period from April 1, 2014 to April 1, 2016 and applies to over 90% of our employees (including non-union employees). It provides, among other things, for a salary increase of 1.0% as of April 1, 2015 and an additional 1.0% as of October 1, 2015.

MANAGEMENT AND GOVERNANCE

Supervisory Directors

We are managed by our Managing Directors, as described below. Responsibilities for operations are delegated to members of senior management. In addition, Ziggo has a Supervisory Board that is also the Supervisory Board of Ziggo Group Holding . The Supervisory Board has five (5) members. The current members of the Supervisory Board are:

- **Diederik Karsten** was appointed Executive Vice President, European Broadband Operations for Liberty Global in January 2012. During 2011, Mr. Karsten served as Managing Director, European Broadband Operations for Liberty Global. Mr. Karsten served as Managing Director, UPC Nederland and its predecessors, from July 2004 to December 2010, where he was responsible for Liberty Global's broadband operations in the Netherlands. Prior to joining a predecessor of Liberty Global Europe Holding BV, he served as Chief Executive Officer of KPN Mobile, overseeing mobile telephony operations in the Netherlands, Germany, Belgium and other countries. Mr. Karsten is a Director of Telenet Group Holding N.V.

- **Ritchy Drost** was appointed Chief Financial Officer, European Broadband Operations for Liberty Global in January 2012. Mr. Drost served as Managing Director and Chief Financial Officer of UPC Nederland and its predecessors, from January 2006 to January 2012. Prior to that, he held various management positions after joining a predecessor of Liberty Global Europe Holding BV in November 1999. Previously he was with Arthur Andersen LLP in their assurance practice.

- **James Ryan** was appointed Senior Vice President, Chief Strategy Officer, of Liberty Global in January 2012. Mr. Ryan served as Managing Director, Strategy and Corporate Development for Liberty Global Europe Holding BV from May 2000 to January 2012. Mr. Ryan is responsible for Liberty Global's global strategy and strategic planning across all regions. Prior to joining Liberty Global Europe Holding, Mr. Ryan spent over 10 years with investment companies, including five years at the European Bank for Reconstruction and Development where he focused on investments in emerging central European countries. Mr. Ryan is a Director of Telenet Group Holding N.V. and Canal+ Cyfrowy Sp zo.o.

- **Rob Ruijter** served on the Supervisory Board for Ziggo prior to the Ziggo Acquisition. In addition, he previously held financial executive board positions at Philips Lighting, Baan, KLM, VNU and ASM International. From April 2013 to January 2014 he was Chief Executive Officer of VION N.V. He currently holds an advisory role at Verdonck Klooster & Associates, is a Supervisory Board member at Unit 4 N.V. and Wavin N.V. and is an advisor to the boards and shareholder of VION N.V.

- **Huub Willems** is the Deputy Justice with the Court of Appeal in Amsterdam (Enterprise Division). He is also an endowed professor in Corporate Litigation Faculty of Law at the University of Groningen, the deputy chairman of the regional disciplinary tribunal for health care (Groningen), deputy judge of the court in Amsterdam, member of the board of advice at Capital Port B.V., member of the board of advice at the Van der Heijden Instituut (centre of expertise for corporate law), member of the board at the Vereeniging "Handelsrecht" (foundation for commercial law), member of the board of the Stichting Grotius Academie, and member of board at the Vereniging Corporate Litigation. Prior to becoming a Deputy Justice, Mr. Willems served as a Vice President and Justice with the Court of Appeal in Amsterdam.

Messrs Karsten, Drost and Ryan represent Liberty Global and Messrs Ruijter and Huub Willems are independent members ("Independent Members"). Mr. Willems has been appointed on the basis of a reinforced right of recommendation of the works council. The Independent Members have several specific rights as laid down in the Merger Protocol concluded between Ziggo and Liberty Global.

The Supervisory Board advises and supervises the Management Board of Ziggo. The articles of association of Ziggo require certain transactions to be approved by the Supervisory Board. Failure to obtain these approvals however, does not affect the authority of the Management Board or the members of the Management Board to represent Ziggo.

Management of Ziggo Group Holding

The Managing Director of Ziggo Group Holding is Liberty Global Europe Management B.V., which is an indirect wholly-owned subsidiary of Liberty Global. The address for the Managing Director is Boeing Avenue 53, 1119 PE Schiphol-Rijk, the Netherlands. The Managing Director is authorized to conduct the day-to-day business of Ziggo Group Holding and its subsidiaries within the governance of Liberty Global and its subsidiaries.

Management of UPC Nederland and Ziggo

The Managing Directors of UPC Nederland and the Ziggo are responsible for the day-to-day management of the business. These Managing Directors are appointed at a shareholders' meeting for each entity. They may also be removed at the applicable shareholders' meeting. The Managing Directors are responsible for, among other things, the overall supervision and administration of the business activities, the appointment and removal of executive officers, the review of financial statements and the approval of budgets for each of UPC Nederland and Ziggo.

The current Managing Directors are Baptiest Coopmans and Bert Groenewegen. Below is a brief biographical summary of the business experience of the Managing Directors of each of UPC Nederland and Ziggo.

- **Baptiest Coopmans** was appointed Managing Director of UPC Netherlands Group in June 2013 and in November 2014 also became the Chief Executive Officer and member of the Management Board of Ziggo. Mr. Coopmans has extensive experience in a range of international management roles, from which he has built a comprehensive background in the telecommunications and consumer markets. He has served in various senior management positions with international companies, including as a member of the Board of Management at KPN from 2006 to 2012. While at KPN, he served in other roles, including Managing Director of KPN Netherlands and Managing Director of KPN Consumer Markets. Prior to 2006, he held commercial management positions at Unilever N.V.

- **Bert Groenewegen** was appointed Chief Financial Officer and member of the Management Board of Ziggo in March 2010 and in November 2014 assumed similar positions in Ziggo and UPC Nederland. Prior to joining Ziggo, he served as Chief Executive Officer of PCM Publishers from 2007 to 2009 after having served as its chief financial officer from 2005 to 2007. Prior to 2005, Mr. Groenewegen held management positions at various companies, including General Atlantic Partners, an investment company, and Exact Software Nederland where he served primarily as Chief Financial Officer. Mr. Groenewegen is a member of the Supervisory Board of Wereldhave N.V., a Dutch listed property investment company.

The business address of each of the Managing Directors named above is Atoomweg 100, 3542 AB Utrecht, the Netherlands.

Independent Auditors' Report

The Board of Directors
UPC Nederland B.V.:

We have audited the accompanying consolidated financial statements of UPC Nederland B.V. and its subsidiaries which comprise the consolidated balance sheets as of December 31, 2014 and 2013, and the related consolidated statements of operations, parent's equity, and cash flows for the years ended December 31, 2014, 2013 and 2012, and the related notes to the consolidated financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these consolidated financial statements in accordance with U.S. generally accepted accounting principles; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly in all material respects, the financial position of UPC Nederland B.V. and its subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for the years ended December 31, 2014, 2013 and 2012, in accordance with U.S. generally accepted accounting principles.

Amstelveen, the Netherlands
April 1, 2015

KPMG Accountants N.V.

UPC NEDERLAND B.V.

CONSOLIDATED BALANCE SHEETS

	December 31,	
	2014	2013
	in millions	
ASSETS		
Current assets:		
Cash	€ 4.1	€ 0.9
Trade receivables, net	50.7	60.2
Related-party receivables (note 9)	9.0	2.1
Deferred income taxes (note 7)	9.3	8.6
Value-added taxes (VAT) receivable	1.7	5.0
Programming inventory	5.4	0.9
Other current assets	4.4	5.5
Total current assets	84.6	83.2
Property and equipment, net (note 5)	861.0	867.0
Goodwill (note 5)	914.3	914.3
Intangible assets subject to amortization, net (note 5)	10.9	30.5
Loans receivable – related-party (note 9)	1,775.2	1,533.1
Interest receivable – related-party (note 9)	132.7	31.0
Deferred income taxes (note 7)	143.5	158.9
Other assets, net	0.8	0.5
Total assets	€ 3,923.0	€ 3,618.5

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

CONSOLIDATED BALANCE SHEETS – (Continued)

	December 31, 2014	December 31, 2013
	in millions	
LIABILITIES AND PARENT'S EQUITY		
Current liabilities:		
Accounts payable:		
Third-party	€ 41.8	€ 39.0
Related-party (note 9)	14.7	41.4
Accrued and other current liabilities:		
Third-party	78.5	75.2
Related-party (note 9)	23.8	10.9
Deferred revenue and advance payments from subscribers and others	73.5	76.2
VAT payable	32.4	32.4
Current portion of debt and capital lease obligations – related-party (note 6)	17.4	6.1
Total current liabilities	282.1	281.2
Long-term debt and capital lease obligations – related-party (note 6)	1,033.7	1,105.7
Long-term accrued interest – related-party (note 9)	86.7	2.5
Other long-term liabilities	46.6	26.2
Total liabilities	1,449.1	1,415.6
Commitments and contingencies (notes 7 and 10)		
Parent's equity – contributions and accumulated earnings in excess of distributions (note 8)	2,473.9	2,202.9
Total liabilities and parent's equity	€ 3,923.0	€ 3,618.5

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

UPC NEDERLAND B.V.

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year ended December 31,		
	2014	2013	2012
		in millions	
Revenue (notes 9 and 11)	€ 923.4	€ 935.3	€ 955.6
Operating costs and expenses:			
Operating (other than depreciation and amortization) (including share-based compensation) (note 9)	267.2	283.7	276.0
Selling, general and administrative (SG&A) (including share-based compensation) (note 9)	121.1	111.0	108.1
Related-party fees and allocations (note 9)	87.4	84.3	63.7
Depreciation and amortization (note 5)	184.3	176.2	167.5
Impairment, restructuring and other operating items, net	2.0	1.1	1.6
	662.0	656.3	616.9
Operating income	261.4	279.0	338.7
Non-operating income (expense):			
Interest expense – related-party (note 9)	(87.4)	(91.7)	(100.1)
Interest income – related-party (note 9)	132.7	110.0	87.4
Other expense, net	(2.6)	(0.3)	—
	42.7	18.0	(12.7)
Earnings before income taxes	304.1	297.0	326.0
Income tax expense (notes 7 and 9)	(87.8)	(77.6)	(83.1)
Net earnings / comprehensive earnings	€ 216.3	€ 219.4	€ 242.9

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

UPC NEDERLAND B.V.

CONSOLIDATED STATEMENTS OF PARENT'S EQUITY

	Parent's equity — contributions and accumulated earnings in excess of distributions
	in millions
Balance at January 1, 2012	€ 1,647.5
Net earnings	242.9
Intercompany tax allocations (note 7)	65.1
Deemed distribution to related party (note 1)	(15.1)
Excess of carrying value over consideration received for property and equipment transferred to entities under common control (note 9)	(1.8)
Balance at December 31, 2012	1,938.6
Net earnings	219.4
Intercompany tax allocations (note 7)	59.0
Deemed distributions to related parties (notes 1 and 8)	(12.3)
Excess of carrying value over consideration received for property and equipment transferred to entities under common control (note 9)	(1.6)
Other	(0.2)
Balance at December 31, 2013	2,202.9
Net earnings	216.3
Intercompany tax allocations (note 7)	73.1
Conversion of related-party loans receivable and related accrued interest to equity (notes 8 and 9)	(54.3)
Deemed contribution of technology-related services (note 9)	38.5
Deemed distribution to related party (note 8)	(0.1)
Excess of carrying value over consideration received for property and equipment transferred to entities under common control (note 9)	(2.5)
Balance at December 31, 2014	€ 2,473.9

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

UPC NEDERLAND B.V.

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2014	2013	2012
		in millions	
Cash flows from operating activities:			
Net earnings	€ 216.3	€ 219.4	€ 242.9
Adjustments to reconcile net earnings to net cash provided by operating activities:			
Share-based compensation expense	1.7	1.3	1.1
Related-party fees and allocations	87.4	84.3	63.7
Depreciation and amortization	184.3	176.2	167.5
Impairment, restructuring and other operating items, net	2.0	1.1	1.6
Interest expense – related-party	87.4	91.7	100.1
Interest income – related-party	(132.7)	(110.0)	(87.4)
Deferred income tax expense	14.7	18.6	18.0
Intercompany tax allocations	73.1	59.0	65.1
Changes in operating assets and liabilities:			
Receivables and other operating assets	2.1	(7.0)	(7.0)
Payables and accruals	(54.6)	(58.1)	(149.9)
Net cash provided by operating activities	481.7	476.5	415.7
Cash flows from investing activities:			
Advances to related parties, net	(375.7)	(356.7)	(271.8)
Capital expenditures	(140.5)	(167.2)	(111.1)
Other investing activities, net	1.5	0.7	(3.6)
Net cash used by investing activities	(514.7)	(523.2)	(386.5)
Cash flows from financing activities:			
Cash received related to a leasing transaction	21.2	—	—
Net borrowings (repayments) of related-party debt and capital lease obligations	20.5	56.1	(14.4)
Equity distributions to related party, net	(5.2)	(8.9)	(16.2)
Other financing activities, net	(0.3)	(0.2)	(0.2)
Net cash provided (used) by financing activities	36.2	47.0	(30.8)
Net increase (decrease) in cash	3.2	0.3	(1.6)
Cash:			
Beginning of year	0.9	0.6	2.2
End of year	€ 4.1	€ 0.9	€ 0.6
Cash paid for interest	€ 3.3	€ 0.5	€ 182.3

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

(1) Basis of Presentation

UPC Nederland B.V. (UPC Nederland) is a wholly-owned subsidiary of UPC Western Europe Holding B.V. (UPC Western Europe), which in turn is a wholly-owned subsidiary of Liberty Global plc (Liberty Global), the successor to Liberty Global, Inc. UPC Nederland, which operates in the Netherlands, provides video, broadband internet, fixed-line telephony and mobile services. In these notes, the terms "we," "our," "our company" and "us" may refer, as the context requires, to UPC Nederland or collectively to UPC Nederland and its subsidiaries.

The following entities are included in the consolidated financial statements of UPC Nederland at December 31, 2014:

Name of subsidiary	Headquarters location	Share of equity
UPC Nederland Services B.V.	Amsterdam, NL	100%
UPC Nederland Mobile B.V.	Amsterdam, NL	100%
UPC Nederland Netwerk 2 B.V.	Amsterdam, NL	100%
UPC Nederland Business B.V.	Amsterdam, NL	100%
Unitymedia International GmbH (UMI)	Cologne, Germany	(a)
UPC Equipment B.V. (UPC Equipment)	Amsterdam, NL	(a)
UPC International Operations B.V. (UPC International)	Amsterdam, NL	(a)

(a) UMI, UPC Equipment and UPC International are variable interest entities that were formed for the purpose of acquiring and legally owning certain customer premises equipment assets that are leased to UPC Nederland, including certain assets that were the subject of sale and leaseback transactions that were initiated in December 2011. Although we have no equity or voting interest in UMI, UPC Equipment or UPC International, substantially all of the revenue of these entities was derived from us through December 31, 2014 and we had the substantive power to direct the significant activities of these entities. As such, we were required to consolidate UMI, UPC Equipment and UPC International through December 31, 2014. Since May 31, 2013, UPC Nederland's obligation on the lease payable has been with UPC International. Prior to that date, our obligation on the lease payable was with Liberty Global Services B.V. (Liberty Global Services), another subsidiary of Liberty Global that is not considered a variable interest entity and is not consolidated by us. As a result of the exclusion of this lease obligation from our consolidated liabilities through May 31, 2013, payments related to the lease payable from UPC Nederland to Liberty Global Services of €6.6 million and €15.1 million for the five months ended May 31, 2013 and the year ended December 31, 2012, respectively, have been reflected as deemed equity distributions to a related party in our statements of parent's equity. For the period from January 1, 2013 to May 31, 2013 and for the year ended December 31, 2012, the gross amounts of lease income and expense were €0.8 million and €2.5 million, respectively. The equity interests of Unitymedia Hessen GmbH & Co. KG (Unitymedia Hessen), a subsidiary of Liberty Global, in UMI and the equity interest of UPC Holding B.V. (UPC Holding), the immediate parent to UPC Western Europe, in UPC Equipment and UPC International have been reflected as parent's equity in our consolidated balance sheets as Unitymedia Hessen, UPC Holding and UPC Nederland are under the common control of Liberty Global. Subsequent to December 31, 2014, and in anticipation of the Ziggo Group Holding Transaction, as defined and described in note 12, the leasing transactions between UPC Nederland and UMI, UPC Equipment and UPC International were unwound. As such, effective January 1, 2015, we will no longer consolidate UMI, UPC Equipment and UPC International.

On November 11, 2014, another Liberty Global subsidiary acquired a controlling interest in Ziggo Holding B.V., formerly known as Ziggo N.V. (Ziggo). During the first quarter of 2015, Liberty Global undertook various financing transactions in connection with certain internal reorganizations of its broadband and wireless communications businesses in Europe, including the Ziggo Group Holding Transaction, as defined and described in note 12. No effect has been given in these consolidated financial statements to the Ziggo Group Holding Transaction, whereby UPC Nederland was extracted from UPC Holding to form a new borrowing group with Ziggo. Beginning with our quarterly report for the three months ending March 31, 2015, we will account for the Ziggo Group Holding Transaction as a common control transfer at carryover basis and, accordingly, our consolidated financial statements will be retrospectively revised to give effect to this transaction for all periods presented in which we and Ziggo, another subsidiary of Liberty Global, were under the common control of Liberty Global (namely all periods beginning on or after the November 11, 2014 acquisition of Ziggo by an indirect subsidiary of Liberty Global). Accordingly, after giving effect to the Ziggo Group Holding Transaction and the related common control transfer accounting described above, UPC Nederland will be treated as the predecessor entity of Ziggo Group Holding, as defined in note 12, and the acquirer of Ziggo for financial reporting purposes. As a result, Ziggo will be included in Ziggo Group Holding's consolidated financial statements from November 11, 2014 forward.

Our functional currency is the euro (€).

These consolidated financial statements reflect our consideration of the accounting and disclosure implications of subsequent events through April 1, 2015, the date of issuance.

(2) Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers* (ASU 2014-09), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09 will replace existing revenue recognition accounting principles generally accepted in the United States (U.S. GAAP) when it becomes effective, currently scheduled for January 1, 2017. Early application is not permitted. This new standard permits the use of either the retrospective or cumulative effect transition method. We are currently evaluating the effect that ASU 2014-09 will have on our consolidated financial statements and related disclosures. We have not yet selected a transition method nor have we determined the effect of the standard on our ongoing financial reporting.

(3) Summary of Significant Accounting Policies

Estimates

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

Reclassifications

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

Principles of Consolidation

The accompanying consolidated financial statements include our accounts and the accounts of all voting interest entities where we exercise a controlling financial interest through the ownership of a direct or indirect controlling voting interest and variable interest entities for which our company is the primary beneficiary. All significant intercompany accounts and transactions have been eliminated in consolidation.

Cash Flow Statement

For purposes of determining the classification of cash flows in our consolidated statements of cash flows, payments or receipts on related-party loans are first applied to principal and then to capitalized interest.

Trade Receivables

Our trade receivables are reported net of an allowance for doubtful accounts. Such allowance aggregated €2.9 million and €3.3 million at December 31, 2014 and 2013, respectively. The allowance for doubtful accounts is based upon our assessment of probable loss related to uncollectible accounts receivable. We use a number of factors in determining the allowance, including, among other things, collection trends, prevailing and anticipated economic conditions and specific customer credit risk. The allowance is maintained until either receipt of payment or the likelihood of collection is considered to be remote.

Concentration of credit risk with respect to trade receivables is limited due to the large number of customers. We also manage this risk by disconnecting services to customers whose accounts are delinquent.

Financial Instruments

Due to the short maturities of trade and other receivables, other current assets, accounts payable, accrued liabilities, subscriber advance payments and deposits, VAT payable and other current liabilities, their respective carrying values approximate their respective fair values. The fair values of our related-party debt and loan receivables are not subject to reasonable estimation due to the related-party nature of these loans. For information concerning how we arrive at certain of our fair value measurements, see note 4.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. We capitalize costs associated with the construction of new cable transmission and distribution facilities and the installation of new cable services. Capitalized construction and installation costs include materials, labor and other directly attributable costs. Installation activities that are capitalized include (i) the initial connection (or drop) from our cable system to a customer location, (ii) the replacement of a drop and (iii) the installation of equipment for additional services, such as digital cable, telephone or broadband internet service. The costs of other customer-facing activities, such as reconnecting customer locations where a drop already exists, disconnecting customer locations and repairing or maintaining drops, are expensed as incurred. Interest capitalized with respect to construction activities was not material during any of the periods presented.

Capitalized internal-use software is included as a component of property and equipment. We capitalize internal and external costs directly associated with the development of internal-use software. We also capitalize costs associated with the purchase of software licenses. Maintenance and training costs, as well as costs incurred during the preliminary stage of an internal-use software development project, are expensed as incurred.

Depreciation is computed using the straight-line method over the estimated useful life of the underlying asset. Equipment under capital leases is amortized on a straight-line basis over the shorter of the lease term or estimated useful life of the asset. Useful lives used to depreciate our property and equipment are assessed periodically and are adjusted when warranted. The useful lives of cable distribution systems that are undergoing a rebuild are adjusted such that property and equipment to be retired will be fully depreciated by the time the rebuild is completed. For additional information regarding the useful lives of our property and equipment, see note 5.

Additions, replacements and improvements that extend the asset life are capitalized. Repairs and maintenance are charged to operations.

We recognize a liability for asset retirement obligations in the period in which it is incurred if sufficient information is available to make a reasonable estimate of fair values. Asset retirement obligations may arise from the loss of rights of way that we obtain from local municipalities or other relevant authorities. Under certain circumstances, the authorities could require us to remove our network equipment from an area if, for example, we were to discontinue using the equipment for an extended period of time or the authorities were to decide not to renew our access rights. However, because the rights of way are integral to our ability to deliver broadband communications services to our customers, we expect to conduct our business in a manner that will allow us to maintain these rights for the foreseeable future. In addition, we have no reason to believe that the authorities will not renew our rights of way and, historically, renewals have been granted. We also have obligations in lease agreements to restore the property to its original condition or remove our property at the end of the lease term. Sufficient information is not available to estimate the fair value of our asset retirement obligations in certain of our lease arrangements. This is the case for long-term lease arrangements in which the underlying leased property is integral to our operations, there is not an acceptable alternative to the leased property and we have the ability to indefinitely renew the lease. Accordingly, for most of our rights of way and certain lease agreements, the possibility is remote that we will incur significant removal costs in the foreseeable future and, as such, we do not have sufficient information to make a reasonable estimate of fair value for these asset retirement obligations.

As of December 31, 2014 and 2013, the recorded value of our asset retirement obligations was €2.2 million and €2.6 million, respectively.

Intangible Assets

Our primary intangible assets relate to goodwill and customer relationships. Goodwill represents the excess purchase price over the fair value of the identifiable net assets acquired in a business combination. Customer relationships were originally recorded at their fair values in connection with business combinations.

Goodwill is not amortized, but instead is tested for impairment at least annually. Intangible assets with finite lives are amortized on a straight-line basis over their respective estimated useful lives to their estimated residual values, and reviewed for impairment.

For additional information regarding the useful lives of our intangible assets, see note 5.

Impairment of Property and Equipment and Intangible Assets

We review, when circumstances warrant, the carrying amounts of our property and equipment and our intangible assets (other than goodwill) to determine whether such carrying amounts continue to be recoverable. Such changes in circumstance may include, among other items, (i) an expectation of a sale or disposal of a long-lived asset or asset group, (ii) adverse changes in market or competitive conditions, (iii) an adverse change in legal factors or business climate in the markets in which we operate and (iv) operating or cash flow losses. For purposes of impairment testing, long-lived assets are grouped at the lowest level for which cash flows are largely independent of other assets and liabilities, generally at or below the reporting unit level (see below). If the carrying amount of the asset or asset group is greater than the expected undiscounted cash flows to be generated by such asset or asset group, an impairment adjustment is recognized. Such adjustment is measured by the amount that the carrying value of such asset or asset group exceeds its fair value. We generally measure fair value by considering (a) sale prices for similar assets, (b) discounted estimated future cash flows using an appropriate discount rate and/or (c) estimated replacement cost. Assets to be disposed of are carried at the lower of their financial statement carrying amount or fair value less costs to sell.

We evaluate goodwill for impairment at least annually on October 1 and whenever other facts and circumstances indicate that the carrying amount of goodwill may not be recoverable. For impairment evaluations with respect to goodwill, we first make a qualitative assessment to determine if the goodwill may be impaired. If it is more-likely-than-not that a reporting unit's fair value is less than its carrying value, we then compare the fair value of the reporting unit to its respective carrying amount. A reporting unit is an operating segment or one level below an operating segment (referred to as a "component"). We have identified one reporting unit to which all goodwill is assigned. If the carrying value of the reporting unit were to exceed its fair value, we would then compare the implied fair value of the reporting unit's goodwill to its carrying amount, and any excess of the carrying amount over the fair value would be charged to operations as an impairment loss.

Income Taxes

Income taxes are accounted for under the asset and liability method. We recognize deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts and income tax basis of assets and liabilities and the expected benefits of utilizing net operating loss and tax credit carryforwards, using enacted tax rates in effect for each taxing jurisdiction in which we operate for the year in which those temporary differences are expected to be recovered or settled. We recognize the financial statement effects of a tax position when it is more-likely-than-not, based on technical merits, that the position will be sustained upon examination. Net deferred tax assets are then reduced by a valuation allowance if we believe it is more-likely-than-not such net deferred tax assets will not be realized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the enactment date. Interest and penalties related to income tax liabilities are included in income tax expense.

UPC Nederland is part of a Dutch tax fiscal unity (the Dutch Fiscal Unity), along with its ultimate Dutch parent and certain other Dutch subsidiaries of Liberty Global. The income taxes of UPC Nederland and its subsidiaries are presented in our consolidated financial statements on a separate return basis for each tax paying entity. For additional information on our income taxes, including the intercompany tax allocations from the Dutch Fiscal Unity, see note 7.

Revenue Recognition

Service Revenue – Cable Networks. We recognize revenue from the provision of video, broadband internet and fixed-line telephony services over our cable network to customers in the period the related services are provided. Installation revenue (including reconnect fees) related to services provided over our cable network is recognized as revenue in the period during which the installation occurs to the extent these fees are equal to or less than direct selling costs, which costs are expensed as incurred. To the extent installation revenue exceeds direct selling costs, the excess revenue is deferred and amortized over the average expected subscriber life.

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

Mobile Revenue – General. Arrangement consideration from mobile contracts is allocated to the airtime service element and the handset service element based on the relative standalone prices of each element. The amount of arrangement consideration allocated to the handset is limited to the amount that is not contingent upon the delivery of future airtime services. We offer handsets under a subsidized contract model, whereby upfront revenue recognition is limited to the upfront cash collected from the customer as the remaining fees to be received from the customer, including fees that may be associated with the handset, are contingent upon delivering future airtime services.

Mobile Revenue – Airtime Services. We recognize revenue from mobile services in the period the related services are provided.

Mobile Revenue – Handset Revenue. Arrangement consideration allocated to handsets is recognized as revenue when the goods have been delivered and title has passed.

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

Promotional Discounts. For subscriber promotions, such as discounted or free services during an introductory period, revenue is recognized only to the extent of the discounted monthly fees charged to the subscriber, if any.

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

Sales, Use and Other VAT. Revenue is recorded net of applicable sales, use and other VAT.

Litigation Costs

Legal fees and related litigation costs are expensed as incurred.

(4) Fair Value Measurements

U.S. GAAP provides for a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. In addition, during 2014 and 2013, we did not perform recurring fair value measurements with respect to any of our assets or liabilities.

Fair value measurements are used in connection with nonrecurring valuations performed in connection with impairment assessments and acquisition accounting. These non-recurring valuations include the valuation of our company, customer relationship intangible assets, property and equipment and the implied value of goodwill. The valuation of our company (our only reporting unit) is based at least in part on discounted cash flow analyses. With the exception of certain inputs for our weighted average cost of capital and discount rate calculations that are derived from pricing services, the inputs used in our discounted cash flow analyses, such as forecasts of future cash flows, are based on our assumptions. The valuation of customer relationships is primarily based on an excess earnings methodology, which is a form of a discounted cash flow analysis. The excess earnings methodology requires us to estimate the specific cash flows expected from the customer relationship, considering such factors as estimated customer life, the revenue expected to be generated over the life of the customer, contributory asset charges, and other factors. Tangible assets are typically valued using a replacement or reproduction cost approach, considering factors such as current prices of the same or similar equipment, the age of the equipment and economic obsolescence. All of our non-recurring valuations use significant unobservable inputs and therefore fall under Level 3 of the fair value hierarchy. We did not perform significant nonrecurring fair value measurements during 2014 or 2013.

(5) Long-lived Assets

Property and Equipment, Net

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

	Estimated useful life at December 31, 2014	December 31, 2014	December 31, 2013
		in millions	
Distribution systems	4 to 30 years	€ 1,291.8	€ 1,217.6
Customer premises equipment	5 years	408.1	400.7
Support equipment, buildings and land	3 to 20 years	108.5	97.6
		1,808.4	1,715.9
Accumulated depreciation		(947.4)	(848.9)
Total property and equipment, net		€ 861.0	€ 867.0

Depreciation expense related to our property and equipment was €164.7 million, €156.1 million and €146.2 million during 2014, 2013 and 2012, respectively.

At December 31, 2014 and 2013, the amount of property and equipment, net, recorded under capital leases was €14.0 million and €12.2 million, respectively. Most of these amounts relate to assets included in our distribution systems category. Depreciation of assets under capital leases is included in depreciation and amortization in our consolidated statements of operations.

During 2014, 2013 and 2012, we recorded non-cash increases to our property and equipment related to assets acquired under capital lease arrangements from Liberty Global Services of €3.5 million, €5.6 million and €5.0 million, respectively. In addition, during 2014, 2013 and 2012, we recorded non-cash increases related to vendor financing arrangements with UPC Broadband Holding B.V. (UPC Broadband Holding), the immediate parent to UPC Western Europe, of €12.3 million, €3.0 million and €1.2 million, respectively. During 2013, we recorded non-cash increases to our property and equipment of €4.8 million related to assets acquired pursuant to a financing arrangement. Furthermore, during 2012, we recorded non-cash increases to our property and equipment of €49.8 million related to assets transferred to our company from related parties in exchange for adjustments to our related-party loan payables and receivables. For additional information, see note 6.

Goodwill

There were no changes in the carrying amount of our goodwill during 2014 and 2013 and no accumulated goodwill impairments as of December 31, 2014 and 2013.

Intangible Assets Subject to Amortization, Net

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

	Estimated useful life at December 31, 2014	December 31, 2014	December 31, 2013
		in millions	
Customer relationships	10 years	€ 208.1	€ 308.3
Accumulated amortization		(197.2)	(277.8)
Total, net		€ 10.9	€ 30.5

Amortization of intangible assets with finite useful lives was €19.6 million, €20.1 million and €21.3 million during 2014, 2013 and 2012, respectively. Based on our amortizable intangible asset balances at December 31, 2014, we expect that amortization expense will be as follows for the next five years and thereafter (in millions):

2015	€	9.9
2016		0.2
2017		0.2
2018		0.1
2019		0.1
Thereafter		0.4
Total	€	10.9

(6) Debt and Capital Lease Obligations

The components of our consolidated debt and capital lease obligations are as follows:

	Weighted average interest rate (a)	Estimated fair value December 31, 2014	Estimated fair value December 31, 2013	Carrying value December 31, 2014	Carrying value December 31, 2013
		in millions			
Related-party debt:					
Liberty Global Services Notes Payable (b)	7.72%	(c)	(c)	€ 922.1	€ 1,024.6
Liberty Global Europe Note (d)	9.29%	(c)	(c)	78.5	41.8
Unitymedia Hessen Note (e)	2.47%	(c)	(c)	27.5	33.0
Other (f)	3.49%	(c)	(c)	13.5	3.0
Total related-party debt	7.64%			1,041.6	1,102.4
Capital lease obligations – related-party				9.5	9.4
Total debt and capital lease obligations				1,051.1	1,111.8
Current maturities				(17.4)	(6.1)
Long-term debt and capital lease obligations				€ 1,033.7	€ 1,105.7

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(a) Represents the weighted average interest rate in effect at December 31, 2014 for all borrowings outstanding pursuant to each debt instrument.

(b) Represents amounts owed to Liberty Global Services, as further described below.

(c) The fair values are not subject to reasonable estimation due to the related-party nature of these loans.

(d) Represents amounts owed to Liberty Global Europe Financing B.V. (Liberty Global Europe), a subsidiary of Liberty Global, as further described below.

(e) Represents amounts owed to Unitymedia Hessen, as further described below.

(f) Represents amounts owed pursuant to a related-party vendor financing loan in connection with assets purchased on our behalf pursuant to vendor financing arrangements of UPC Broadband Holding. This loan is interest-bearing and amounts owed pursuant to this loan are generally due within one year of the borrowing date. Repayments of this vendor financing loan will be included in repayments of related-party debt in our consolidated statements of cash flows. For information regarding certain financing transactions completed subsequent to December 31, 2014 that impacted our related-party vendor financing loan, see note 12.

Related-party Debt

Liberty Global Services Notes Payable

In December 2011, in connection with transactions whereby we converted net operating losses into additional tax basis in network assets (the Network Transfer), we issued the Liberty Global Services Notes Payable to Liberty Global Services. In addition, in connection with the Network Transfer, UPC Western Europe issued to our company the UPC Western Europe Loans Receivable, as defined and described in note 9. The original principal balances attached to the Liberty Global Services Notes Payable and the UPC Western Europe Loans Receivable were equivalent and, therefore, no cash was exchanged between the related parties involved in the transaction. The Liberty Global Services Notes Payable (€922.1 million principal balance at December 31, 2014) mature on October 31, 2021 and have no repayment schedule, however, annual repayments are subject to the following restrictions: (i) during the first five years annual repayments may not exceed 10% of the outstanding principal and (ii) during years five to eight repayments that exceed 10% of the outstanding principal shall also include certain premiums. The interest rate on the Liberty Global Services Notes Payable is 7.72%.

Beginning in 2014, accrued interest on the Liberty Global Services Notes Payable is included in other long-term liabilities until January 1 of each fiscal year and then it is transferred to the loan balance. Interest expense related to the Liberty Global Services Notes Payable was €80.2 million, €88.6 million and €95.0 million during 2014, 2013 and 2012, respectively. In December 2013, accrued interest of (i) €77.8 million was settled against accrued interest outstanding pursuant to the UPC Western Europe Loans Receivable and (ii) €10.8 million, representing the interest rate differential between the Liberty Global Services Notes Payable and the UPC Western Europe Loans Receivable, was loan settled against the UPC Broadband Loan Receivable, as defined and described in note 9. In December 2012, accrued interest of (a) €83.5 million was settled against accrued interest outstanding pursuant to the UPC Western Europe Loans Receivable and (b) €11.5 million, representing the interest rate differential between the Liberty Global Services Notes Payable and the UPC Western Europe Loans Receivable, was loan settled against the UPC Broadband Loan Receivable.

The decrease in the principal balance of the Liberty Global Services Notes Payable during 2014 relates to a €102.5 million non-cash settlement of principal against amounts outstanding pursuant to the UPC Western Europe Loans Receivable. The decrease in the principal balance of the Liberty Global Services Notes Payable during 2013 includes (i) a €109.2 million non-cash settlement of principal against amounts outstanding pursuant to the UPC Western Europe Loans Receivable, (ii) a €4.6 million non-cash settlement of principal against amounts outstanding pursuant to the UPC Broadband Loan Receivable and (iii) individually insignificant net non-cash decreases aggregating €0.3 million. The net decrease in the principal balance of the Liberty Global Services Notes Payable during 2012 is due to (a) a €78.9 million non-cash settlement of principal against amounts outstanding pursuant to the UPC Western Europe Loans Receivable, (b) the transfer of €4.6 million in non-cash accrued interest to the loan balance and (c) a €4.6 million non-cash increase related to the settlement of related-party charges and allocations.

For information regarding certain financing transactions completed subsequent to December 31, 2014 that impacted the Liberty Global Services Notes Payable, see note 12.

Liberty Global Europe Note

Effective March 16, 2012, UPC Equipment entered into a loan agreement with Liberty Global Europe (the Liberty Global Europe Note). The Liberty Global Europe Note (€78.5 million principal balance at December 31, 2014) has a maturity date of March 30, 2032 and bears interest at 9.29%. Accrued interest on the Liberty Global Europe Note is included in other long-term liabilities until January 1 of each fiscal year and then it is transferred to the loan balance. The net increase during 2014 is due to (i) cash borrowings of €34.4 million, (ii) the transfer of €2.4 million in non-cash accrued interest to the loan balance and (iii) cash payments of €0.1 million. The net increase during 2013 is due to (a) cash borrowings of €26.3 million, (b) the transfer of €0.7 million in non-cash accrued interest to the loan balance, (c) cash payments of €0.3 million and (d) individually insignificant net non-cash decreases aggregating €0.2 million. The increase during 2012 is due to (1) cash borrowings of €15.1 million and (2) individually insignificant net non-cash increases aggregating €0.2 million. During the years ended December 31, 2014 and 2013, none of the debt repayments were payments of interest. As further described in note 1, we will no longer consolidate UPC Equipment subsequent to December 31, 2014.

Unitymedia Hessen Note

Effective August 2, 2013, UMI entered into a loan agreement with Unitymedia Hessen (the Unitymedia Hessen Note). The Unitymedia Hessen Note has an initial maturity date of February 28, 2016. Subsequent borrowings must be paid 30 months after each additional borrowing by UMI. The Unitymedia Hessen Note (€27.5 million principal balance at December 31, 2014) bears interest at 2.47%. Accrued interest on the Unitymedia Hessen Note is included in other long-term liabilities until January 1 of each fiscal year and then it is transferred to the loan balance. The net decrease during 2014 includes (i) cash payments of €38.6 million, (ii) cash borrowings of €33.0 million and (iii) the transfer of €0.1 million in non-cash accrued interest to the loan balance. The net increase during 2013 is due to (a) cash borrowings of €43.3 million and (b) cash payments of €10.3 million. During the years ended December 31, 2014 and 2013, none of the debt repayments were payments of interest. As further described in note 1, we will no longer consolidate UMI subsequent to December 31, 2014.

UPC Broadband Note

We previously had a loan agreement (the UPC Broadband Note) with UPC Broadband Holding that was repaid during 2012. During 2012, the UPC Broadband Note bore interest at 7.19%. The net decrease in the UPC Broadband Note during 2012 is due to (i) cash payments of €565.9 million (including €182.0 million that was applied to interest), (ii) cash borrowings of €354.6 million, (iii) the transfer of €25.4 million in non-cash accrued interest to the loan balance, (iv) a €25.7 million non-cash increase related to the settlement of related-party charges and allocations, (v) a €2.5 million non-cash increase related to property and equipment additions and (vi) a €1.1 million non-cash increase related to the settlement of share-based compensation.

Other

Through the date of the completion of the Ziggo Group Holding Transaction, as defined and described in note 12, we were subject to the debt covenants of UPC Holding and its subsidiary, UPC Broadband Holding. These covenants, among other considerations, effectively restricted our ability to incur third-party debt.

Maturities of Related-party Debt and Capital Lease Obligations

Maturities of our related-party debt and capital lease obligations as of December 31, 2014 are presented below:

	Debt (a)	Capital lease obligations	Total
		in millions	
Year ending December 31:			
2015	€ 13.5	€ 4.1	€ 17.6
2016	27.5	3.3	30.8
2017	—	2.0	2.0
2018	—	0.6	0.6
2019	—	—	—
Thereafter	1,000.6	—	1,000.6
Total maturities	1,041.6	10.0	1,051.6
Amounts representing interest	—	(0.5)	(0.5)
Total debt and capital lease obligations	€ 1,041.6	€ 9.5	€ 1,051.1
Current portion	€ 13.5	€ 3.9	€ 17.4
Noncurrent portion	€ 1,028.1	€ 5.6	€ 1,033.7

(a) For information regarding changes to our debt and debt maturities that occurred subsequent to December 31, 2014, see note 12.

(7) Income Taxes

UPC Nederland and its Dutch subsidiaries are part of the Dutch Fiscal Unity with its ultimate Dutch parent company, Liberty Global Holding B.V., and certain other non-UPC Nederland subsidiaries. The Dutch Fiscal Unity combines individual tax-paying Dutch entities and their ultimate Dutch parent company as one taxpayer for Dutch tax purposes. Intercompany tax allocations from the Dutch Fiscal Unity are not subject to tax-sharing agreements and no cash payments are made between the companies related to the Dutch tax attributes. Accordingly, any intercompany tax allocations are reflected as an adjustment of accumulated net contributions in our consolidated statements of parent's equity. Furthermore, UMI has entered into a tax integration agreement and a profit-sharing agreement with its immediate parent, Unitymedia Hessen, who is primarily liable for the related tax obligations. As a result, UMI's income is fully attributed to Unitymedia Hessen and no provision for income taxes has been made in our consolidated financial statements for UMI on a separate return basis. Our consolidated financial statements include the income taxes on a separate return basis of (i) UPC Nederland and its Dutch subsidiaries, (ii) UPC Equipment and (iii) UPC International based on the local tax law.

The details of our current and deferred income tax expense consists of:

	Year ended December 31,		
	2014	2013	2012
		in millions	
Intercompany allocation of current taxes	€ 73.1	€ 59.0	€ 65.1
Deferred tax expense	14.7	18.6	18.0
Total income tax expense	€ 87.8	€ 77.6	€ 83.1

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

	Year ended December 31,		
	2014	2013	2012
		in millions	
Computed "expected" tax expense	€ 76.0	€ 74.3	€ 81.5
Non-deductible expenses	11.2	1.7	1.2
Other, net	0.6	1.6	0.4
Total income tax expense	€ 87.8	€ 77.6	€ 83.1

The current and non-current components of our deferred tax assets are as follows:

	December 31,	
	2014	2013
	in millions	
Current deferred tax assets	€ 9.3	€ 8.6
Non-current deferred tax assets	143.5	158.9
Total deferred tax asset	€ 152.8	€ 167.5

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are presented below:

	December 31, 2014	December 31, 2013
	in millions	
Deferred tax assets:		
Property and equipment, net	€ 124.9	€ 147.5
Leases	30.4	26.3
Net operating loss	4.6	1.6
Deferred tax assets	159.9	175.4
Valuation allowance	(4.6)	(1.6)
Deferred tax assets, net of valuation allowance	155.3	173.8
Deferred tax liabilities:		
Deferred tax liabilities – intangible assets	2.5	6.3
Net deferred tax asset	€ 152.8	€ 167.5

Our tax loss carryforwards are subject to usage restrictions that limit the ability to offset taxable income of one company with the tax losses of another separate company as a result of certain profit and loss pooling agreements made pursuant to relevant tax law. Some of these losses are limited while the agreement is in place, while some are not expected to be realized.

Although we intend to take reasonable tax planning measures to limit our tax exposures, no assurance can be given that we will be able to do so.

We and our subsidiaries file consolidated and standalone income tax returns in various jurisdictions. In the normal course of business, our income tax filings are subject to review by various taxing authorities. In connection with such reviews, disputes could arise with the taxing authorities over the interpretation or application of certain income tax rules related to our business in that tax jurisdiction. Such disputes may result in future tax and interest and penalty assessments by these taxing authorities. The ultimate resolution of tax contingencies will take place upon the earlier of (i) the settlement date with the applicable taxing authorities in either cash or agreement of income tax positions or (ii) the date when the tax authorities are statutorily prohibited from adjusting the company's tax computations.

In general, tax returns filed by our company or our subsidiaries for years prior to 2008 are no longer subject to examination by tax authorities.

(8) Parent's Equity

General. UPC Nederland is a private limited liability company under Dutch law. The authorized share capital of our company equals two hundred twenty-five thousand euros (€225,000), divided into two hundred twenty-five thousand shares with a nominal value of one euro (€1) each. As of December 31, 2014 and 2013, 45,379 shares have been issued and fully paid-in. All shares are registered; no share certificates can be issued. All shares are ordinary shares for a private limited liability company under Dutch law.

During 2014, the balance of our 2013 UPC Broadband Loan Receivable, as defined and described in note 9, and the related accrued interest were converted to parent's equity, decreasing parent's equity by €54.3 million. For additional information, see note 9.

As required by a profit-sharing agreement between Unitymedia Hessen and UMI, distributions of €0.1 million and €5.7 million were made to Unitymedia Hessen during 2014 and 2013.

In addition, during 2013 and 2012, distributions were made to Liberty Global Services in connection with certain leasing activity prior to May 31, 2013, as further described in note 1.

(9) Related-party Transactions

Our related-party transactions are as follows:

	Year ended December 31,		
	2014	2013	2012
		in millions	
Revenue	€ 2.7	€ 1.6	€ 1.1
Operating expenses	(26.5)	(29.3)	(27.2)
SG&A expenses	1.5	(1.8)	(0.7)
Allocated share-based compensation expense:			
Included in operating expenses	(0.3)	(0.2)	—
Included in SG&A expenses	(1.4)	(1.1)	(1.1)
Fees and allocations	(87.4)	(84.3)	(63.7)
Included in operating income	(111.4)	(115.1)	(91.6)
Interest expense	(87.4)	(91.7)	(100.1)
Interest income	132.7	110.0	87.4
Intercompany tax allocations	(73.1)	(59.0)	(65.1)
Included in net earnings	€ (139.2)	€ (155.8)	€ (169.4)
Property and equipment additions	€ 63.8	€ 85.0	€ 55.8
Transfers of used property and equipment	€ (4.6)	€ (2.9)	€ (4.9)

General. Certain Liberty Global subsidiaries, including Liberty Global Services, charge fees and allocate costs and expenses to our company. In addition, during 2014, we charged certain of our SG&A expenses to Liberty Global B.V., another subsidiary of Liberty Global. Depending on the nature of these related-party transactions, the amount of the charges or allocations may be based on (i) our estimated share of the underlying costs, (ii) our estimated share of the underlying costs plus a mark-up or (iii) commercially-negotiated rates. Through June 30, 2014, our related-party operating and SG&A expenses and our related-party fees and allocations generally were based on our company's estimated share of the applicable estimated costs (including personnel-related and other costs associated with the services provided) incurred by the applicable Liberty Global subsidiaries. The estimated amounts charged were reviewed and revised on an annual basis, with any differences between the revised and estimated amounts recorded in the period identified, generally the first quarter of the following year. The revisions to reflect the actual costs underlying our related-party fees and allocations for 2013, 2012 and 2011 amounted to increases (decreases) of €0.7 million, €4.6 million and (€2.1 million), respectively, in our billings from Liberty Global Services, which amounts were recorded during the first quarters of 2014, 2013 and 2012, respectively. The revisions to reflect actual costs for our related-party operating and SG&A expenses for 2013, 2012 and 2011 were not material. During the third quarter of 2014, Liberty Global and its subsidiaries began basing the fees charged and amounts allocated among Liberty Global and its subsidiaries on actual costs incurred. As a result, during the third quarter of 2014, we recorded a €7.7 million increase to the fees and allocations charged to our company by Liberty Global Services to reflect the impact of this change in methodology as of January 1, 2014. The impact of this change in methodology on our related-party operating and SG&A expenses was not material. Although we believe that the related-party charges and allocations described below are reasonable, no assurance can be given that the related-party costs and expenses reflected in our consolidated statements of operations are reflective of the costs that we would incur on a standalone basis. Except as noted below, our related-party transactions are generally cash settled.

In connection with certain financing transactions that Liberty Global completed during the first quarter of 2015, as further described in note 12, Liberty Global changed the processes it uses to charge fees and allocate costs and expenses from one subsidiary to another, which, as further described below, will impact the calculation of the "consolidated EBITDA metric" specified by our debt agreements that were entered into during the first quarter of 2015, as further described in note 12. This new methodology (the 2015 Liberty Global Allocation Methodology), which was implemented during the first quarter of 2015, is intended to ensure that Liberty Global continues to allocate its central and administrative costs to its borrowing groups on a fair and rational basis. Subject to the specific terms contained in our debt agreements, the implementation of the 2015 Liberty Global Allocation Methodology will impact the calculation of the consolidated EBITDA metric for our company as the amount of related-party fees and allocations that is included in our consolidated EBITDA metric will change. In this regard, the components of related-party fees and allocations that are deducted to arrive at our consolidated EBITDA metric in 2015 and future periods will be based on (i) the amount and nature of costs incurred by the allocating Liberty Global subsidiaries during the period, (ii) the allocation methodologies in effect during the period and (iii) the size of the overall pool of entities that are charged fees and allocated costs, such that changes in any of these factors would likely result in changes to the amount of related-party fees and allocations that will be deducted to arrive at our consolidated EBITDA metric in future periods. For example, to the extent that another of Liberty Global's subsidiary borrowing groups were to acquire (sell) an operating entity, and assuming no change in the total costs incurred by the allocating entities, the fees charged and the costs allocated to our company would decrease (increase).

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

Operating expenses. Amounts represent net charges from (to) other Liberty Global subsidiaries and affiliates primarily related to (i) programming and related services of €19.2 million, €24.1 million and €23.6 million during 2014, 2013 and 2012, respectively, and (ii) certain customer premises equipment, backbone and other network-related services of €7.3 million, €5.2 million and €3.6 million during 2014, 2013 and 2012, respectively.

SG&A expenses. Amounts consist primarily of information technology-related charges and other SG&A charges from other Liberty Global subsidiaries.

Allocated share-based compensation expense. Amounts are allocated to our company by Liberty Global and represent share-based compensation associated with the Liberty Global share-based incentive awards held by certain UPC Nederland employees. During 2012, €1.1 million of these charges were loan settled.

Fees and allocations. Amounts represent fees charged by Liberty Global Services to our company that originate with Liberty Global, Liberty Global Services and certain other Liberty Global subsidiaries, and include charges for management, finance, legal, technology, marketing and other services that support our company's operations, including the use of the UPC trademark. These charges may be cash or loan settled. With respect to the amounts settled during 2014, 2013 and 2012, all amounts were cash settled with the exception of €5.5 million and €63.7 million that were loan settled during 2013 and 2012, respectively.

During the first three quarters of 2014, Liberty Global Services allocated technology-based costs to our company and other Liberty Global subsidiaries based on each subsidiaries' estimated proportionate share of these costs. During the fourth quarter of 2014, Liberty Global Services changed the approach used to charge technology-based fees to our company and other Liberty Global subsidiaries to a royalty-based method that was made retroactively effective to January 1, 2014. The resulting technology-based fees are payable quarterly and are cash settled unless otherwise determined by Liberty Global Services and UPC Nederland. For the year ended 2014, our €52.8 million proportional share of the technology-based costs incurred by Liberty Global Services was €38.5 million more than the royalty-based technology fee charged by Liberty Global Services under the new approach. Accordingly, the €38.5 million portion of our related-party payables to Liberty Global Services that was attributable to this excess amount was contributed to additional paid-in capital during the fourth quarter of 2014 and reflected as a deemed contribution of technology-related services in our consolidated statement of parent's equity. The charges under the new royalty-based fee are expected to escalate in future periods. Any excess of these charges over our estimated proportionate share of the underlying technology-based costs will be classified as a management fee and added back to arrive at the consolidated EBITDA figure used in our leverage covenant calculations.

Interest expense. Amounts relate to our various related-party debt and capital lease obligations payable to other Liberty Global subsidiaries. For additional information, see note 6.

Interest income. Amounts relate to our various related-party loans receivables as described below.

Intercompany tax allocations. Amounts represent intercompany tax allocations from the Dutch Fiscal Unity. For additional information, see note 7.

Property and equipment additions. Amounts represent new customer premises and network-related equipment acquired from other Liberty Global subsidiaries, generally at cost. These Liberty Global subsidiaries centrally procure equipment on behalf of our company and various other Liberty Global subsidiaries.

Transfers of used property and equipment. Amounts represent the aggregate carrying value of used customer premises and network-related equipment transferred to other Liberty Global subsidiaries. The excess of the aggregate carrying values of the transferred equipment over the consideration received is recorded as a reduction to accumulated net contributions in our statements of parent's equity.

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

	December 31, 2014	December 31, 2013
	in millions	
Assets:		
Related-party receivables	€ 9.0	€ 2.1
Loans receivable:		
UPC Western Europe Loan Receivable (a)	922.1	1,024.6
UPC Broadband Loan Receivable (b)	853.1	488.4
2013 UPC Broadband Loan Receivable (c)	—	20.1
Total loans receivable	1,775.2	1,533.1
Interest receivable (d)	132.7	31.0
Total assets	€ 1,916.9	€ 1,566.2
Liabilities:		
Accounts payable (e)	€ 14.7	€ 41.4
Accrued and other current liabilities (e)	23.8	10.9
Debt and capital lease obligations (f)	1,051.1	1,111.8
Long-term accrued interest (g)	86.7	2.5
Total liabilities	€ 1,176.3	€ 1,166.6

(a) Represents loans receivable from UPC Western Europe (the UPC Western Europe Loans Receivable) issued in connection with the Network Transfer and the related issuance of the Liberty Global Services Notes Payable. The UPC Western Europe Loans Receivable are due on October 31, 2021 and have no repayment schedule, however, annual repayments are subject to the following restrictions: (i) during the first five years annual repayments may not exceed 10% of the outstanding principal and (ii) during years five to eight repayments that exceed 10% of the outstanding principal would require coupon premiums payable. The interest rate on the UPC Western Europe Loans Receivable is 6.80%. Beginning in 2014, accrued interest on the UPC Western Europe Loans Receivable is included in other assets, net, until January 1 of each fiscal year and then it is transferred to the loan balance. During 2014, 2013 and 2012, interest income earned on the UPC Western Europe Loans Receivable was €70.6 million, €77.8 million and €83.5 million, respectively. In December 2013 and 2012, accrued interest of €77.8 million and €83.5 million, respectively, was settled against accrued interest outstanding pursuant to the Liberty Global Services Notes Payable. The decrease in the principal amount of the UPC Western Europe Loans Receivable during 2014 relates to a €102.5 million non-cash settlement against amounts outstanding pursuant to the Liberty Global Services Notes Payable. The decrease in the principal amount during 2013 relates to a €109.2 million non-cash settlement against amounts outstanding pursuant to the Liberty Global Services Notes Payable. The net decrease in the principal amount during 2012 includes (a) a €78.9 million non-cash settlement against amounts outstanding pursuant to the Liberty Global Services Notes Payable and (b) the transfer of €4.3 million in non-cash accrued interest to the loan receivable balance. For information regarding certain financing transactions completed subsequent to December 31, 2014 that impacted the UPC Western Europe Loans Receivable, see note 12.

(b) Represents a loan receivable from UPC Broadband Holding (the UPC Broadband Loan Receivable) that originated in 2012. The UPC Broadband Loan Receivable bears interest at 9.29% and has a maturity date in December 2026. Accrued interest on the UPC Broadband Loan Receivable is included in other assets, net, until January 1 of each fiscal year and then it is transferred to the loan balance. The net increase in the principal balance of the UPC Broadband Loan Receivable during 2014 includes (i) cash loaned of €908.0 million, (ii) cash received of €574.0 million and (iii) the transfer of €30.7 million in non-cash accrued interest to the loan receivable balance. The net increase in the principal balance of the UPC Broadband Loan Receivable during 2013 includes (a) cash loaned of €995.7 million, (b) cash received of €653.6 million, (c) a €62.2 million non-cash decrease related to the settlement of related-party charges and allocations, (d) Liberty Global Services Notes Payable loan settlements of €10.8 million, representing the interest rate differential between the Liberty Global Services Notes Payable and the UPC Western Europe Loans Receivable, (e) Liberty Global Services Notes Payable loan settlements of €4.6 million of principal, (f) the transfer of €4.3 million in non-cash accrued interest payable related to the UPC Broadband Note to the loan receivable balance, (g) the transfer of €2.7 million in non-cash accrued interest to the loan receivable balance and (h) individually insignificant non-cash decreases aggregating €0.8 million. The net increase in the principal balance of the UPC Broadband Loan Receivable during 2012 includes (1) cash loaned of €530.3 million, (2) cash received of €269.9 million, (3) a €24.2 million non-cash decrease related to the settlement of related-party charges and allocations and (4) Liberty Global Services Notes Payable loan settlements of €11.5 million, representing the interest rate differential between the Liberty Global Services Notes Payable and the UPC Western Europe Loans Receivable. During the three-year period ended December 31, 2014, none of the repayments were payments of interest. For information regarding certain financing transactions completed subsequent to December 31, 2014 that impacted the UPC Broadband Loan Receivable, see note 12.

(c) During the third quarter of 2013, UPC International entered into a loan receivable from UPC Broadband Holding (the 2013 UPC Broadband Loan Receivable), the balance of which was converted to parent's equity during the fourth quarter of 2014. The 2013 UPC Broadband Loan Receivable bore interest at 5.81% and had a maturity date in November 2021. The activity of the 2013 UPC Broadband Loan Receivable during 2014 includes (i) cash loaned of €41.7 million, (ii) a non-cash settlement of €7.8 million and (iii) the transfer of €0.3 million in non-cash accrued interest to the loan receivable balance. During the fourth quarter of 2014, the outstanding balance of €54.3 million was converted to parent's equity. The net increase in the principal balance of the 2013 UPC Broadband Loan Receivable during 2013 includes (a) cash loaned of €23.0 million and (b) a non-cash settlement of €2.9 million.

(d) Represents accrued interest income related to the UPC Western Europe Loans Receivable, the UPC Broadband Loan Receivable and the 2013 UPC Broadband Loan Receivable.

(e) Represents non-interest bearing payables, accrued expenditures for acquired property and equipment and other accrued liabilities owed to other Liberty Global subsidiaries that may be cash or loan settled.

(f) Represents (i) principal amounts outstanding under (a) the Liberty Global Services Notes Payable, (b) the Liberty Global Europe Note, (c) the Unitymedia Hessen Note and (d) a vendor financing loan and (ii) capital lease obligations payable to Liberty Global Services. For additional information, see note 6.

(g) Represents accrued interest expense related to the Liberty Global Services Notes Payable, the Liberty Global Europe Note and the Unitymedia Hessen Note.

UMI had a loan receivable from Unitymedia Hessen that originated in 2012 and was settled in 2013. This note bore interest at 10.0% per year. The net decrease in the principal balance of the loan receivable during 2013 included (i) cash received of €18.1 million, (ii) cash loaned of €8.6 million, (iii) a €3.1 million non-cash decrease related to the partial settlement of a profit-sharing agreement and (iv) the transfer of €1.2 million in non-cash accrued interest to the loan receivable balance. The net increase in the principal balance of the loan receivable during 2012 included (a) cash loaned of €24.5 million and (b) cash received of €13.1 million.

(10) Commitments and Contingencies

Commitments

In the normal course of business, we have entered into agreements that commit our company to make cash payments in future periods with respect to programming contracts, non-cancelable operating leases, purchases of customer premises equipment and other items. These commitments as of December 31, 2014 are presented below:

	Payments due during:						
	2015	2016	2017	2018	2019	Thereafter	Total
	in millions						
Programming commitments (a)	€ 22.1	€ 18.6	€ 8.7	€ 1.4	€ —	€ —	€ 50.8
Operating leases	9.7	7.9	6.8	5.2	3.6	7.8	41.0
Other commitments (b)	10.3	—	0.2	—	0.2	—	10.7
Total (c)	€ 42.1	€ 26.5	€ 15.7	€ 6.6	€ 3.8	€ 7.8	€ 102.5

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(a) The 2015 amount includes €0.8 million related to related-party programming commitments.

(b) The 2015 amount includes €3.7 million related to related-party purchase obligations.

(c) The commitments reflected in this table do not reflect any liabilities that are included in our December 31, 2014 consolidated balance sheet.

Programming commitments consist of obligations associated with certain of our programming contracts, that are enforceable and legally binding on us in that we have agreed to pay minimum fees without regard to (i) the actual number of subscribers to the programming services or (ii) whether we terminate service to a portion of our subscribers or dispose of a portion of our distribution systems. In addition, programming commitments do not include increases in future periods associated with contractual inflation or other price adjustments that are not fixed. Accordingly, the amounts reflected in the above table with respect to these contracts are significantly less than the amounts we expect to pay in these periods under these contracts. Payments to programming vendors have in the past represented, and are expected to continue to represent in the future, a significant portion of our operating costs. In this regard, during 2014, 2013 and 2012, the programming and copyright costs incurred by our operations aggregated €107.5 million, €109.3 million and €104.0 million, respectively.

Other commitments are primarily comprised of unconditional purchase obligations associated with commitments to purchase customer premises and other equipment and services that are enforceable and legally binding on us. Other commitments also include certain fixed minimum contractual commitments associated with our agreements with municipal authorities.

Rental expense under non-cancelable operating lease arrangements amounted to €11.7 million, €13.8 million and €12.6 million during 2014, 2013 and 2012, respectively. It is expected that in the normal course of business, operating leases that expire generally will be renewed or replaced by similar leases.

We have established various defined contribution benefit plans for our and our subsidiaries' employees. The aggregate expense of our matching contributions under the various defined contribution employee benefit plans was €11.6 million, €11.8 million and €10.6 million during 2014, 2013 and 2012, respectively.

Guarantees and Other Credit Enhancements

In the ordinary course of business, we may provide indemnifications to our lenders, our vendors and certain other parties and 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.

Legal and Regulatory Proceedings and Other Contingencies

Netherlands Regulatory Developments. In December 2011, the Autoriteit Consument & Markt (ACM) completed a market assessment of the television market in the Netherlands, concluding that there were no grounds for regulation of that market. On December 22, 2011, referring to its final assessment of the television market, ACM rejected previously filed requests from a number of providers to perform a new market analysis of the television market. This decision by ACM was appealed by such providers to the Dutch Supreme Administrative Court. On November 5, 2012, the Dutch Supreme Administrative Court rejected the appeals against ACM's decision.

In May 2012, the Dutch Parliament adopted laws that provide, among other matters, the power to ACM to impose an obligation for the mandatory resale of television services and to the Commissariaat voor de Media to supervise such resale obligation. These laws became effective on January 1, 2013, notwithstanding the above-described November 5, 2012 decision of the Dutch Supreme Administrative Court. On January 29, 2014, a Dutch civil court, in a proceeding initiated by our company, declared the resale obligation laws non-binding because they infringe European Union (EU) law. The Dutch Government did not appeal the January 2014 decision, and the resale obligation laws were formally withdrawn on November 26, 2014. We consider the withdrawal of the resale obligation laws to be the final resolution of this matter.

Conditions Associated with a Liberty Global Subsidiary's Acquisition of Ziggo. In connection with Liberty Global's acquisition of Ziggo, Liberty Global obtained regulatory clearance from the European Commission on October 10, 2014, which clearance was subject to the following conditions:

- Liberty Global's commitment to divest its *Film1* channel to a third party and to carry *Film1* on Ziggo's and our network for a period of three years; and

- Liberty Global's commitment for a period of eight years with respect to our and Ziggo's network (i) not to enforce certain clauses currently contained in carriage agreements with broadcasters that restrict the ability of broadcasters to offer their channels and content via third party over-the-top services, (ii) not to enter into carriage agreements containing such clauses and (iii) to maintain adequate interconnection capacity through at least three uncongested routes into our and Ziggo's network, at least one of which must be with a large transit provider.

On March 27, 2015, Liberty Global agreed to sell its *Film1* channel to Sony Pictures Television Networks, which sale is subject to customary closing conditions, including regulatory approval. All five *Film1* channels will continue to be carried on Ziggo's and our networks for a period of at least three years.

Other Regulatory Issues. Video distribution, broadband internet, fixed-line telephony and mobile businesses are subject to significant regulation and supervision by various regulatory bodies in the Netherlands including Dutch and EU authorities. Adverse regulatory developments could subject our businesses to a number of risks. Regulation, including conditions imposed on us by competition or other authorities as a requirement to close acquisitions or dispositions, could limit growth, revenue and the number and types of services offered and could lead to increased operating costs and property and equipment additions. In addition, regulation may restrict our operations and subject them to further competitive pressure, including pricing restrictions, interconnect and other access obligations, and restrictions or controls on content, including content provided by third parties. Failure to comply with current or future regulation could expose our businesses to various penalties.

Other. 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 and other tax issues, and (iii) disputes over interconnection, programming, copyright and 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.

(11) Segment Reporting

We operate in one geographical area, the country of the Netherlands. We operate in one segment, within which we provide video, broadband internet, fixed-line telephony and mobile services to residential and business customers.

Our revenue by major category is set forth below:

	Year ended December 31,		
	2014	2013	2012
		in millions	
Subscription revenue (a):			
Video	€ 463.5	€ 456.7	€ 472.7
Broadband internet	199.3	221.3	216.9
Fixed-line telephony	180.7	169.1	175.5
Cable subscription revenue	843.5	847.1	865.1
Mobile subscription revenue	0.2	0.3	0.2
Total subscription revenue	843.7	847.4	865.3
B2B revenue (b)	57.0	58.7	62.2
Other revenue (c)	22.7	29.2	28.1
Total revenue	€ 923.4	€ 935.3	€ 955.6

(a) Subscription revenue includes amounts received from subscribers for ongoing services, excluding installation fees and late fees. Subscription revenue from subscribers who purchase bundled services at a discounted rate is generally allocated proportionally to each service based on the standalone price for each individual service. As a result, changes in the standalone pricing of our cable and mobile products or the composition of bundles can contribute to changes in our product revenue categories from period to period.

(b) B2B revenue includes revenue from business broadband internet, video, voice, wireless and data services offered to medium to large enterprises and, on a wholesale basis, to other operators. We also provide services to certain small office and home office (SOHO) subscribers. SOHO subscribers pay a premium price to receive enhanced service levels along with video, broadband internet, fixed-line telephony or mobile services that are the same or similar to the mass marketed products offered to our residential subscribers. Revenue from SOHO subscribers, which aggregated €25.6 million, €17.7 million and €12.0 million during 2014, 2013 and 2012, respectively, is included in cable subscription revenue.

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

(12) Subsequent Event

Overview

During the first quarter of 2015, Liberty Global undertook various financing transactions in connection with certain internal reorganizations of its broadband and wireless communications businesses in Europe. As part of these reorganizations, on March 5, 2015, through a series of intercompany transactions (i) 100% of the shares in our company were transferred from UPC Western Europe to Ziggo Group Holding B.V. (Ziggo Group Holding), another subsidiary of Liberty Global, for total consideration of €5,371.8 million, all of which was settled as a non-cash increase to a related-party loan and (ii) 100% of the shares of Ziggo were transferred to Ziggo Group Holding (the Ziggo Group Holding Transaction). For information regarding our accounting for the Ziggo Group Holding Transaction, see note 1.

Ziggo Group Holding Transaction

In contemplation of the Ziggo Group Holding Transaction, Liberty Global formed two special purpose financing entities, Ziggo Bond Finance B.V. (Ziggo Bond Finance) and its subsidiary, Ziggo Secured Finance B.V. (Ziggo Secured Finance and, together with Ziggo Bond Finance, the Ziggo SPEs) for the primary purpose of facilitating (i) the issuance of the Ziggo SPE Notes and (ii) the creation of the New Ziggo Credit Facility (each as defined and described below). The Ziggo SPEs are wholly-owned by a Dutch foundation.

Ziggo SPE Notes. On January 29, 2015, Ziggo Bond Finance issued (i) $400.0 million (€330.6 million) aggregate principal amount of 5.875% senior notes (the Ziggo 2025 Dollar Senior Notes) and (ii) €400.0 million aggregate principal amount of 4.625% senior notes (the Ziggo 2025 Euro Senior Notes and, together with the Ziggo 2025 Dollar Senior Notes, the Ziggo 2025 Senior Notes), in each case due January 15, 2025.

On February 4, 2015, Ziggo Secured Finance issued €800.0 million aggregate principal amount of 3.750% senior secured notes (the Ziggo 2025 Senior Secured Notes and, together with the Ziggo 2025 Senior Notes, the Ziggo SPE Notes) due January 15, 2025.

Pending consummation of the Ziggo Group Holding Transaction, the net proceeds of the Ziggo SPE Notes (the Escrowed Proceeds) were placed into certain escrow accounts. On March 5, 2015, the Escrowed Proceeds were released and the Ziggo Group Holding Transaction was consummated.

Upon release of the Escrowed Proceeds (i) Ziggo Secured Finance used the proceeds of the Ziggo 2025 Senior Secured Notes to fund a proceeds loan denominated in euro, in an aggregate amount equal to the principal amount of the Ziggo 2025 Senior Secured Notes (the Senior Secured Proceeds Loan) to UPC Nederland Holding III B.V., a subsidiary of Ziggo Group Holding (the Senior Secured Proceeds Loan Borrower), subject to the terms of a senior secured proceeds loan facility (the Senior Secured Proceeds Loan Facility) and (ii) Ziggo Bond Finance used the proceeds of the Ziggo 2025 Senior Notes to fund a proceeds loan denominated in U.S. dollars, in an amount equal to the principal amount of the Ziggo 2025 Dollar Senior Notes, and a proceeds loan denominated in euro, in an amount equal to the principal amount of the Ziggo 2025 Euro Senior Notes (together, the Senior Proceeds Loans, and along with the Senior Secured Proceeds Loan, the Proceeds Loans) to UPC Nederland Holding I B.V., a subsidiary of Ziggo Group Holding (the Senior Proceeds Loan Borrower, and together with the Senior Secured Proceeds Loan Borrower, the Proceeds Loan Borrowers), subject to the terms of a senior proceeds loan facility. A portion of the proceeds from the Proceeds Loans was ultimately used to redeem a portion of the outstanding indebtedness at UPC Holding, which, prior to the Ziggo Group Holding Transaction, indirectly owned 100% of our company.

Each of the Ziggo SPEs is dependent on payments from the applicable Proceeds Loan Borrowers in order to service its payment obligations under the applicable Ziggo SPE Notes. None of the Proceeds Loan Borrowers or any of their respective subsidiaries guarantee or provide any credit support for the Ziggo SPEs' obligations under the Ziggo SPE Notes, however certain subsidiaries of Ziggo Group Holding have agreed to be bound by the covenants in the indentures governing the Ziggo SPE Notes. Although the Proceeds Loan Borrowers have no equity or voting interest in any of the Ziggo SPEs, each of the Proceeds Loans creates a variable interest in the respective Ziggo SPE for which the applicable Proceeds Loan Borrower is the primary beneficiary, as contemplated by U.S. GAAP. As such, the Proceeds Loan Borrowers and their parent entities, including Ziggo Group Holding, are required by the provisions of U.S. GAAP to consolidate the Ziggo SPEs. Accordingly, the amounts outstanding under the Proceeds Loans will be eliminated in Ziggo Group Holding's consolidated financial statements.

The Ziggo SPE Notes are non-callable until January 15, 2020. At any time prior to January 15, 2020, Ziggo Secured Finance or Ziggo Bond Finance may redeem some or all of the Ziggo SPE Notes (as applicable) by paying a "make-whole" premium, which is the present value of all remaining scheduled interest payments to the first call date using the discount rate (as specified in the applicable indenture) as of the redemption date plus 50 basis points.

Ziggo Secured Finance or Ziggo Bond Finance may redeem some or all of the Ziggo SPE Notes (as applicable) at the following redemption prices (expressed as a percentage of the principal amount) plus accrued and unpaid interest and additional amounts (as specified in the applicable indenture), if any, to the redemption date, if redeemed during the twelve-month period commencing on January 15 of the years set forth below:

	Redemption price		
Year	**Ziggo 2025 Dollar Senior Notes**	**Ziggo 2025 Euro Senior Notes**	**Ziggo 2025 Senior Secured Notes**
2020	102.938%	102.313%	101.875%
2021	101.958%	101.542%	101.250%
2022	100.979%	100.771%	100.625%
2023 and thereafter	100.000%	100.000%	100.000%

Prior to January 15, 2020, the Senior Secured Proceeds Loan Borrower may instruct Ziggo Secured Finance during each 12-month period commencing on the date on which the Ziggo 2025 Senior Secured Notes are issued, to redeem up to 10% of the principal amount of the Ziggo 2025 Senior Secured Notes at a redemption price equal to 103% of the principal amount thereof plus accrued and unpaid interest up to (but excluding) the redemption date.

If Ziggo Secured Finance or Ziggo Bond Finance or the restricted subsidiaries experience changes in control (as specified in the applicable indenture) Ziggo Secured Finance or Ziggo Bond Finance (as applicable) must offer to repurchase the applicable Ziggo SPE Notes at a redemption price of 101%.

The call provisions, maturity and applicable interest rate for each of the Proceeds Loans will be substantially the same as those of the applicable series of the Ziggo SPE Notes described above.

The Ziggo 2025 Senior Notes are senior obligations of Ziggo Bond Finance that rank equally in right of payment with all existing and future senior debt of Ziggo Bond Finance and senior to all existing and future subordinated debt of Ziggo Bond Finance that is not subordinated to the Ziggo 2025 Senior Notes. The Ziggo 2025 Senior Secured Notes are senior obligations of Ziggo Secured Finance that rank equally in right of payment with all existing and future senior debt of Ziggo Secured Finance and are senior to all existing and future subordinated debt of Ziggo Secured Finance that is not subordinated to the Ziggo 2025 Senior Secured Notes. Following the release of the Escrowed Proceeds, the Ziggo SPE Notes are secured by a first-ranking security interest over (i) all of the issued shares of the applicable Ziggo SPE and bank accounts of the Ziggo SPEs and (ii) the applicable Ziggo SPE's rights to and benefits from the applicable Proceeds Loans.

The Senior Secured Proceeds Loan is a senior obligation of the Senior Secured Proceeds Loan Borrower. The Senior Secured Proceeds Loan ranks equally with all existing and future senior debt of the Senior Secured Proceeds Loan Borrower and senior to all future subordinated debt of the Senior Secured Proceeds Loan Borrower. The obligations of the Senior Secured Proceeds Loan Borrower under the Senior Secured Proceeds Loan are guaranteed on a senior secured basis by certain subsidiaries of Ziggo Group Holding.

The Senior Proceeds Loans are senior obligations of the Senior Proceeds Loan Borrower. The Senior Proceeds Loans rank equally with all existing and future senior debt of the Senior Proceeds Loan Borrower and senior to all future subordinated debt of the Senior Proceeds Loan Borrower. The obligations of the Senior Proceeds Loan Borrower under a Senior Proceeds Loan are guaranteed on a senior basis by Ziggo Bond Company B.V., a subsidiary of Ziggo Group Holding.

New Ziggo Credit Facility. In connection with the Ziggo Group Holding Transaction, lenders under a bank facility at UPC Broadband Holding agreed to roll a €689.2 million facility into new term loans (the SPV Term Loans) under a new senior secured credit facility with Ziggo Secured Finance as the borrower (the New Ziggo Credit Facility). The new facility rolled into the SPV Term Loans on a cashless basis (the SPV Credit Facility Rollover). As a result of the SPV Credit Facility Rollover, a receivable was created owing from UPC Nederland to Ziggo Secured Finance. This receivable is funded on a cashless basis as one facility (the Rollover Loan) subject to the terms of the Senior Secured Proceeds Loan Facility. The New Ziggo Credit Facility ranks equally with the Ziggo 2025 Senior Secured Notes, including with respect to the proceeds of enforcement of the Notes Collateral, as defined in the loan agreement, and the Rollover Loan ranks equally with the Senior Secured Proceeds Loan.

Related-party borrowings and receivables

In connection with the Ziggo Group Holding Transaction, we undertook various financing transactions in March 2015 related to certain of our related-party borrowings and receivables.

The Liberty Global Services Notes Payable was effectively settled through the contribution of the corresponding receivable from Liberty Global Services to UPC Nederland. This contribution, which was effected through a series of transactions, resulted in an increase to parent's equity of €1,009.0 million.

The UPC Western Europe Loans Receivable was settled through a distribution to UPC Western Europe that resulted in a decrease to parent's equity of €998.6 million.

The UPC Broadband Loan Receivable was settled through a series of transactions that resulted in a distribution to UPC Broadband Holding that resulted in a decrease to parent's equity of €920.0 million.

The outstanding balance of the related-party vendor financing loan was settled in cash.

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

The following discussion and analysis is intended to assist in providing an understanding of our financial condition, changes in financial condition and results of operations and should be read in conjunction with our consolidated financial statements. This discussion is organized as follows:

- *Overview.* This section provides a general description of our business and recent events.
- *Results of Operations.* This section provides an analysis of our results of operations for the years ended December 31, 2014, 2013 and 2012.
- *Liquidity and Capital Resources.* This section provides an analysis of our liquidity and consolidated statements of cash flows.
- *Critical Accounting Policies, Judgments and Estimates.* This section discusses those material accounting policies that contain uncertainties and require significant judgment in their application.

The capitalized terms used below have been defined in the notes to our consolidated financial statements. In the following text, the terms, "we," "our," "our company" and "us" may refer, as the context requires, to UPC Nederland or collectively to UPC Nederland and its subsidiaries.

Overview

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

For information regarding certain reporting entity changes that were completed subsequent to December 31, 2014, see note 12 to our consolidated financial statements.

In September 2012, we launched Horizon TV. Horizon TV is a family of media products that allows customers to view and share content across the television, computer, tablet and smartphone. Horizon TV is powered by a user interface that provides customers a seamless intuitive way to access linear, time-shifted, on-demand and web-based content on the television. It also features an advanced set-top box that delivers not only video, but also internet and voice connections along with a wireless network for the home. For our Horizon TV customers, we also offer applications for various services. In addition, we have launched our subscriber-video-on-demand offering, which we refer to as "MyPrime". MyPrime is a subscription-based on-demand video library that allows customers to choose from several thousand classic films, children's programs, series and documentaries. We intend to continue to improve the Horizon TV user experience with new functionality and software updates.

Our basic digital television channels are unencrypted which allows subscribers, who have the necessary equipment and who pay the monthly subscription fee for our analog package, to watch our basic digital television channels. Expanded channel packages and premium channels and services continue to be available for an incremental monthly fee in all of our markets. We generally expect unencryption of our networks to result in a positive impact on our subscriber disconnect levels and a somewhat negative impact on demand for lower tiers of digital cable services.

Our residential broadband internet services subscribers generally access the internet at various download speeds ranging up to 200 Mbps, depending on network capability and the tier of service selected. We determine pricing for each tier of broadband internet service through analysis of speed, market conditions and other factors.

We offer fixed-line telephony services to all of our broadband communications subscribers, primarily using voice-over-internet-protocol or "VoIP" technology. In addition, we offer mobile services using third-party networks.

We completed a small acquisition in 2012 that impacts the comparability of our 2013 and 2012 results of operations.

From a strategic perspective, we are seeking to build broadband communications and mobile businesses that have strong prospects for future growth in revenue and operating cash flow.

We strive to achieve organic revenue and customer growth in our operations by developing and marketing bundled entertainment and information and communications services, and extending and upgrading the quality of our networks where appropriate. As we use the term, organic growth excludes the estimated impact of acquisitions. While we seek to obtain new customers, we also seek to maximize the average revenue we receive from each household by increasing the penetration of our digital cable, broadband internet, fixed-line telephony and mobile services with existing customers through product bundling and upselling.

At December 31, 2014, we owned and operated networks that passed 2,853,400 homes and served 3,672,700 revenue generating units (RGUs), consisting of 1,569,000 video subscribers (including 1,122,200 digital cable subscribers), 1,111,600 broadband internet subscribers and 992,100 fixed-line telephony subscribers. In addition, at December 31, 2014, we served 1,300 mobile subscribers.

We experienced a net decline of 10,300 RGUs on an organic basis during 2014, as compared to a net decline of 1,700 RGUs on an organic basis during 2013. The organic RGU decline during 2014 is attributable to the net effect of (i) a decrease of 77,100 analog cable RGUs, (ii) an increase of 43,500 broadband internet services RGUs, (iii) an increase of 14,100 digital cable services RGUs and (iv) an increase of 9,200 fixed-line telephony services RGUs.

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

(i) organic decline in overall revenue during the fourth quarter of 2014, as compared to the fourth quarter of 2013; and

(ii) organic declines during the fourth quarter of 2014 in (a) video RGUs as net declines in our analog cable RGUs exceeded net additions to our digital cable RGUs (including migrations from analog cable), (b) fixed-line telephony RGUs and (c) our total RGUs.

In addition to competition, our operations are subject to macroeconomic and political risks that are outside of our control. For example, high levels of sovereign debt in certain European countries, combined with weak growth and high unemployment, could lead to fiscal reforms (including austerity measures), tax increases, sovereign debt restructurings, currency instability, increased counterparty credit risk, high levels of volatility and, potentially, disruptions in the credit and equity markets, as well as other outcomes that might adversely impact our company. In light of the significant exposure that we have to the euro through our euro-denominated borrowings, cash balances and cash flows, a redenomination event could have a material adverse impact on our company.

The video, broadband internet and fixed-line telephony businesses in which we operate are capital intensive. Significant additions to our property and equipment are required to add customers to our networks and to upgrade our broadband communications networks and customer premises equipment to enhance our service offerings and improve the customer experience, including expenditures for equipment and labor costs. Significant competition, the introduction of new technologies, the expansion of existing technologies such as FTTx and advanced DSL technologies, or adverse regulatory developments could cause us to decide to undertake previously unplanned upgrades of our networks and customer premises equipment in the impacted markets. In addition, no assurance can be given that any future upgrades will generate a positive return or that we will have adequate capital available to finance such future upgrades. If we are unable to, or elect not to, pay for costs associated with adding new customers, expanding or upgrading our networks or making our other planned or unplanned additions to our property and equipment, our growth could be limited and our competitive position could be harmed. For information regarding our property and equipment additions, see *Liquidity and Capital Resources - Consolidated Statements of Cash Flows* below.

We rely on third-party vendors for the equipment, software and services that we require in order to provide services to our customers. Our suppliers often conduct business worldwide and their ability to meet our needs are subject to various risks, including political and economic instability, natural calamities, interruptions in transportation systems, terrorism and labor issues. As a result, we may not be able to obtain the equipment, software and services required for our businesses on a timely basis or on satisfactory terms. Any shortfall in customer premises equipment could lead to delays in connecting customers to our services, and accordingly, could adversely impact our ability to maintain or increase our RGUs, revenue and cash flows.

Results of Operations

As noted under *Overview* above, the comparability of our operating results during 2013 and 2012 is affected by an acquisition. In the following discussion, we quantify the estimated impact of acquisitions on our operating results. The acquisition impact represents our estimate of the difference between the operating results of the periods under comparison that is attributable to an acquisition. In general, we base our estimate of the acquisition impact on an acquired entity's operating results during the first three months following the acquisition date such that changes from those operating results in subsequent periods are considered to be organic changes. Accordingly, in the following discussion, variances attributed to an acquired entity during the first twelve months following the acquisition date represent differences between the estimated acquisition impact and the actual results.

Revenue

Revenue includes revenue earned from (i) subscribers to our broadband communications and mobile services and (ii) B2B services, interconnect fees, installation fees, channel carriage fees and late fees. Consistent with the presentation of our revenue categories in note 11 to our consolidated financial statements, we use the term "subscription revenue" in the following discussion to refer to amounts received from subscribers for ongoing services, excluding installation fees and late fees. In the following table, mobile subscription revenue excludes the related interconnect revenue.

We pay interconnection fees to other telephony providers when calls or text messages from our subscribers terminate on another network, and we receive similar fees from such providers when calls or text messages from their customers terminate on our network or networks that we access through mobile virtual network operator arrangements. The amounts we charge and incur with respect to fixed-line telephony and mobile interconnection fees are subject to regulatory oversight. To the extent that regulatory authorities introduce fixed-line or mobile termination rate changes, we would experience prospective changes in our interconnect revenue and costs. The ultimate impact of any such changes in termination rates on our operating cash flow would be dependent on the call or text messaging patterns that are subject to the changed termination rates.

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 on to our customers.

2014 compared to 2013

Revenue

Our revenue by major category is set forth below:

	Year ended December 31,		Increase (decrease)	
	2014	2013	€	%
	in millions			
Subscription revenue (a):				
Video	€ 463.5	€ 456.7	€ 6.8	1.5
Broadband internet	199.3	221.3	(22.0)	(9.9)
Fixed-line telephony	180.7	169.1	11.6	6.9
Cable subscription revenue	843.5	847.1	(3.6)	(0.4)
Mobile subscription revenue	0.2	0.3	(0.1)	(33.3)
Total subscription revenue	843.7	847.4	(3.7)	(0.4)
B2B revenue (b)	57.0	58.7	(1.7)	(2.9)
Other revenue (c)	22.7	29.2	(6.5)	(22.3)
Total revenue	€ 923.4	€ 935.3	€ (11.9)	(1.3)

(a) Subscription revenue includes amounts received from subscribers for ongoing services, excluding installation fees and late fees. Subscription revenue from subscribers who purchase bundled services at a discounted rate is generally allocated proportionally to each service based on the standalone price for each individual service. As a result, changes in the standalone pricing of our cable and mobile products or the composition of bundles can contribute to changes in our product revenue categories from period to period.

(b) B2B revenue includes revenue from business broadband internet, video, voice, wireless and data services offered to medium to large enterprises and, on a wholesale basis, to other operators. We also provide services to certain SOHO subscribers. SOHO subscribers pay a premium price to receive enhanced service levels along with video, broadband internet, fixed-line telephony or mobile services that are the same or similar to the mass marketed products offered to our residential subscribers. Revenue from SOHO subscribers, which aggregated €25.6 million and €17.7 million during 2014 and 2013, respectively, is included in cable subscription revenue.

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

Our consolidated revenue decreased €11.9 million during 2014, as compared to 2013. The decrease in our revenue for 2014, as compared to 2013, is set forth below:

	Subscription revenue	Non-subscription revenue	Total
		in millions	
Increase (decrease) in cable subscription revenue due to change in:			
Average number of RGUs (a)	€ 1.2	€ —	€ 1.2
ARPU (b)	(4.8)	—	(4.8)
Total decrease in cable subscription revenue	(3.6)	—	(3.6)
Decrease in mobile subscription revenue	(0.1)	—	(0.1)
Total decrease in subscription revenue	(3.7)	—	(3.7)
Decrease in B2B revenue	—	(1.7)	(1.7)
Decrease in other non-subscription revenue (c)	—	(6.5)	(6.5)
Total	€ (3.7)	€ (8.2)	€ (11.9)

(a) The increase in our cable subscription revenue related to a change in the average number of RGUs is attributable to increases in the average numbers of broadband internet, fixed-line telephony and digital cable RGUs that were mostly offset by a decline in the average number of analog cable RGUs.

(b) The decrease in our cable subscription revenue related to a change in ARPU is due to the net effect of (i) a net decrease primarily resulting from the following factors: (a) lower ARPU due to the impact of increases in the proportions of subscribers receiving lower-priced tiers of broadband internet and fixed-line telephony services in our bundles, (b) higher ARPU due to the impact of lower bundling discounts, (c) higher ARPU from digital cable services and (d) lower ARPU due to a decrease in fixed-line telephony call volumes and (ii) an improvement in RGU mix.

(c) The decrease in our other non-subscription revenue is primarily due to lower installation revenue.

Operating expenses

General. Operating expenses include programming and copyright, network operations, interconnect, customer operations, customer care, share-based compensation and other costs related to our operations. Programming and copyright costs, which represent a significant portion of our operating costs, are expected to rise in future periods as a result of (i) growth in the number of our digital video subscribers, (ii) 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 (iii) rate increases. In addition, we are subject to inflationary pressures with respect to our labor and other costs. Any cost increases that we are not able to pass on to our subscribers through rate increases would result in increased pressure on our operating margins.

Our operating expenses decreased €16.5 million or 5.8% during 2014, as compared to 2013. Our operating expenses include share-based compensation expense, which increased €0.1 million. Excluding the effects of share-based compensation expense, our operating expenses decreased €16.6 million or 5.9%. This decrease includes the following factors:

- A decrease in interconnect costs of €7.4 million or 15.9%, primarily due to (i) lower rates and (ii) lower call volumes;

- A decrease in network-related expenses of €6.6 million or 18.4%, primarily due to (i) lower outsourced labor costs associated with customer-facing activities and (ii) decreased network and customer premises equipment maintenance costs;

- An increase in personnel costs of €6.4 million or 12.7%, primarily due to (i) increased costs related to lower proportions of capitalizable activities, (ii) annual wage increases and (iii) higher incentive compensation costs;

- A decrease in programming and copyright costs of €2.1 million or 1.9%, primarily due to the net effect of (i) lower costs related to digital video services and (ii) a net increase of €1.0 million due to the impact of accrual releases associated with the reassessment of operational contingencies. The nonrecurring adjustments recorded during 2014 resulted in lower costs of (a) €1.0 million in the third quarter and (b) €1.7 million in the fourth quarter. During 2013, the aggregate impact of similar reassessments and settlements resulted in a net cost decrease of €3.7 million; and

- A decrease in outsourced labor and professional fees of €2.1 million or 11.0%, primarily due to lower call center costs.

SG&A expenses

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

Our SG&A expenses increased €10.1 million or 9.1% during 2014, as compared to 2013. Our SG&A expenses include share-based compensation expense, which increased €0.3 million. Excluding the effects of share-based compensation expense, our SG&A expenses increased €9.8 million or 8.9%. This increase includes the following factors:

- An increase in personnel costs of €9.7 million or 17.3%, largely due to (i) higher incentive compensation costs, (ii) annual wage increases and (iii) increased staffing levels;

- An increase in sales and marketing costs of €4.5 million or 14.8%, primarily due to (i) higher costs associated with advertising campaigns and (ii) higher third-party sales commissions; and

- A decrease in outsourced labor and professional fees of €1.7 million or 30.2%, primarily due to lower consulting costs associated with certain strategic initiatives.

Related-party fees and allocations

We recorded related-party fees and allocations of €87.4 million during 2014 as compared to €84.3 million during 2013. Amounts represent fees charged by Liberty Global Services to our company that originate with Liberty Global, Liberty Global Services and certain other Liberty Global subsidiaries, and include charges for management, finance, legal, technology, marketing and other services that support our company's operations, including the use of the UPC trademark. For additional information, see note 9 to our consolidated financial statements.

Depreciation and amortization expense

Our depreciation and amortization expense increased €8.1 million or 4.6% during 2014, as compared to 2013. This increase is primarily due to the net effect of (i) an increase in property and equipment additions related to the installation of customer premises equipment, the expansion and upgrade of our networks and other capital initiatives, and (ii) a decrease associated with certain assets becoming fully depreciated.

Impairment, restructuring and other operating items, net

We recognized impairment, restructuring and other operating items, net, of €2.0 million and €1.1 million during 2014 and 2013, respectively. The 2014 amount primarily relates to the net effect of (i) restructuring charges of €4.3 million related to severance costs incurred in connection with the Ziggo Group Holding Transaction, and (ii) gains on the disposal of fixed assets of €2.7 million. The 2013 amount primarily relates to the net effect of (i) a €3.2 million restructuring charge, primarily associated with employee severance and termination costs related to certain reorganization activities, and (ii) a €2.5 million gain on the disposal of fixed assets.

If, among other factors, (i) our enterprise value or Liberty Global's equity value were to decline significantly or (ii) the adverse impacts of economic, competitive, regulatory or other factors were to cause our results of operations or cash flows to be worse than anticipated, we could conclude in future periods 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. For additional information, see *Critical Accounting Policies, Judgments and Estimates — Impairment of Property and Equipment and Intangible Assets*, below.

Interest expense – related-party

Our related-party interest expense decreased €4.3 million or 4.7% during 2014, as compared to 2013. This decrease is primarily attributable to a lower average outstanding debt balance and a slightly lower weighted average interest rate. For additional information regarding our related-party debt, see notes 6 and 12 to our consolidated financial statements.

Interest income – related-party

Our related-party interest income increased €22.7 million or 20.6% in 2014, as compared to 2013. This increase is primarily due to a higher average outstanding balance and a higher wighted average interest rate. For additional information regarding our related-party loans receivable, see notes 9 and 12 to our consolidated financial statements.

Income tax expense

We recognized income tax expense of €87.8 million and €77.6 million during 2014 and 2013, respectively.

The income tax expense during 2014 differs from the expected income tax expense of €76.0 million (based on the Dutch income tax rate of 25.0%) primarily due to the negative impact of certain permanent differences between the financial and tax accounting treatment of certain expenses.

The 2013 amount approximates the income tax expense that would result from the application of the Dutch income tax rate of 25.0% to our earnings before income taxes.

For additional information regarding our income taxes, see note 7 to our consolidated financial statements.

Net earnings

During 2014 and 2013, we reported net earnings of €216.3 million and €219.4 million, respectively, including (i) operating income of €261.4 million and €279.0 million, respectively, (ii) net non-operating income of €42.7 million and €18.0 million, respectively, and (iii) income tax expense of €87.8 million and €77.6 million, respectively.

Our ability to achieve earnings from operations is largely dependent on our ability to increase our operating cash flow to a level that more than offsets the amount of our (i) share-based compensation expense, (ii) related-party fees and allocations, (iii) depreciation and amortization, (iv) impairment, restructuring and other operating items, (v) interest expense, (vi) other net non-operating expenses and (vii) income tax expenses. As we use the term, operating cash flow is defined as revenue less operating expenses and SG&A expenses (excluding share-based compensation, related-party fees and allocations, depreciation and amortization and impairment, restructuring and other operating items).

2013 compared to 2012

Revenue

Our revenue by major category is set forth below:

	Year ended December 31,		Increase (decrease)		Organic increase (decrease)
	2013	2012	€	%	%
	in millions				
Subscription revenue (a):					
Video	€ 456.7	€ 472.7	€ (16.0)	(3.4)	(3.4)
Broadband internet	221.3	216.9	4.4	2.0	2.0
Fixed-line telephony	169.1	175.5	(6.4)	(3.6)	(3.7)
Cable subscription revenue	847.1	865.1	(18.0)	(2.1)	(2.1)
Mobile subscription revenue	0.3	0.2	0.1	50.0	50.0
Total subscription revenue	847.4	865.3	(17.9)	(2.1)	(2.1)
B2B revenue (b)	58.7	62.2	(3.5)	(5.6)	(5.6)
Other revenue (c)	29.2	28.1	1.1	3.9	5.5
Total revenue	€ 935.3	€ 955.6	€ (20.3)	(2.1)	(2.2)

(a) Subscription revenue includes amounts received from subscribers for ongoing services, excluding installation fees and late fees. Subscription revenue from subscribers who purchase bundled services at a discounted rate is generally allocated proportionally to each service based on the standalone price for each individual service. As a result, changes in the standalone pricing of our cable and mobile products or the composition of bundles can contribute to changes in our product revenue categories from period to period.

(b) B2B revenue includes revenue from business broadband internet, video, voice, wireless and data services offered to medium to large enterprises and, on a wholesale basis, to other operators. We also provide services to certain SOHO subscribers. SOHO subscribers pay a premium price to receive enhanced service levels along with video, broadband internet, fixed-line telephony or mobile services that are the same or similar to the mass marketed products offered to our residential subscribers. Revenue from SOHO subscribers, which aggregated €17.7 million and €12.0 million during 2013 and 2012, respectively, is included in cable subscription revenue.

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

Our consolidated revenue decreased €20.3 million during 2013, as compared to 2012. The details of the decrease in our subscription and non-subscription revenue for 2013, as compared to 2012, are as follows:

	Subscription revenue	Non-subscription revenue	Total
		in millions	
Increase (decrease) in cable subscription revenue due to change in:			
Average number of RGUs (a)	€ 2.3	€ —	€ 2.3
ARPU (b)	(20.7)	—	(20.7)
Total decrease in cable subscription revenue	(18.4)	—	(18.4)
Increase in mobile subscription revenue	0.1	—	0.1
Total decrease in subscription revenue	(18.3)	—	(18.3)
Decrease in B2B revenue (c)	—	(3.5)	(3.5)
Increase in other non-subscription revenue (d)	—	1.1	1.1
Total organic decrease	(18.3)	(2.4)	(20.7)
Impact of an acquisition	0.4	—	0.4
Total	€ (17.9)	€ (2.4)	€ (20.3)

(a) The increase in our cable subscription revenue related to a change in the average number of RGUs is attributable to the net effect of (i) increases in the average numbers of fixed-line telephony, broadband internet and digital cable RGUs and (ii) a decline in the average number of analog cable RGUs.

(b) The decrease in our cable subscription revenue related to a change in ARPU is due to the net effect of (i) a decrease primarily resulting from the following factors: (a) lower ARPU due to a decrease in fixed-line telephony call volume and (b) lower ARPU due to the impact of higher bundling and promotional discounts that more than offset the positive impacts of (1) the inclusion of higher-priced tiers of digital cable, broadband internet and fixed-line telephony services in our promotional bundles and (2) July 2012 price increases for bundled services and a January 2013 price increase for certain analog cable services and (ii) an improvement in RGU mix.

(c) The decrease in our B2B revenue is primarily related to lower revenue from fixed-line telephony and data services.

(d) The increase in our other non-subscription revenue is primarily attributable to the net effect of (i) an increase in installation revenue, (ii) a decrease in interconnect revenue, primarily due to the impact of reductions in fixed termination rates that became effective on August 1, 2012 and September 1, 2013, and (iii) a decrease in revenue from late fees.

Operating expenses

Our operating expenses increased €7.7 million or 2.8% during 2013, as compared to 2012. Our operating expenses include (i) share-based compensation expense, which increased €0.2 million, and (ii) €0.1 million attributable to the impact of an acquisition. Excluding the effects of share-based compensation expense and an acquisition, our operating expenses increased €7.4 million or 2.7%. This increase includes the following factors:

- A decrease in interconnect costs of €5.8 million or 12.1%, primarily due to lower rates;
- An increase in programming and copyright costs of €5.3 million or 5.1%, primarily due to growth in digital video services. In addition, accrual releases related to the settlement or reassessment of operational contingencies gave rise to a decrease in programming and copyright costs of €0.8 million, as the impact of net accrual releases that reduced the 2013 costs more than offset the impact of net accrual releases that reduced the 2012 costs;
- An increase in personnel costs of €4.4 million or 9.4%, primarily due to (i) increased staffing levels and (ii) annual wage increases;
- An increase in network-related expenses of €3.1 million or 9.2%, primarily due to (i) increased network and customer premises equipment maintenance costs and (ii) an increase of €0.9 million due to the net impact of favorable settlements during 2013 and 2012 of claims we made with respect to costs incurred in connection with faulty customer premises equipment;
- A decrease in bad debt and collection expenses of €2.7 million, due to improved collection experience; and
- An increase in outsourced labor and professional fees of €1.9 million or 11.6%, primarily due to higher call center costs.

SG&A expenses

Our SG&A expenses increased €2.9 million or 2.7% during 2013, as compared to 2012. Our SG&A expenses include (i) share-based compensation expense, which was relatively unchanged, and (ii) €0.2 million attributable to the impact of an acquisition. Excluding the effects of share-based compensation expense and an acquisition, our SG&A expenses increased €2.7 million or 2.5%. This increase includes the following factors:

- A decrease in sales and marketing costs of €2.4 million or 7.9%, primarily due to lower third-party sales commissions;
- An increase in outsourced labor and professional fees of €2.0 million, primarily due to higher consulting costs associated with certain strategic initiatives; and
- An increase in personnel costs of €2.0 million or 3.6%, primarily due to annual wage increases.

Related-party fees and allocations

We recorded related-party fees and allocations of €84.3 million during 2013 as compared to €63.7 million during 2012. Amounts represent fees charged by Liberty Global Services to our company that originate with Liberty Global, Liberty Global Services and certain other Liberty Global subsidiaries, and include charges for management, finance, legal, technology, marketing and other services that support our company's operations, including the use of the UPC trademark. For additional information, see note 9 to our consolidated financial statements.

Depreciation and amortization expense

Our depreciation and amortization expense increased €8.7 million or 5.2% during 2013, as compared to 2012. This increase is primarily due to the net effect of (i) an increase in property and equipment additions related to the installation of customer premises equipment, the expansion and upgrade of our networks and other capital initiatives, and (ii) a decrease associated with certain assets becoming fully depreciated.

Impairment, restructuring and other operating items, net

We recognized impairment, restructuring and other operating items, net, of €1.1 million and €1.6 million during 2013 and 2012, respectively. The 2013 amount primarily relates to the net effect of (i) a €3.2 million restructuring charge, primarily associated with employee severance and termination costs related to certain reorganization activities, and (ii) a €2.5 million gain on the disposal of fixed assets. The 2012 amount includes a €1.9 million restructuring charge, primarily associated with employee severance and termination costs related to certain reorganization activities.

Interest expense – related-party

Our related-party interest expense decreased €8.4 million or 8.4% during 2013, as compared to 2012. This decrease is primarily attributable to a lower average outstanding debt balance. Our related-party interest expense relates to (i) the Liberty Global Services Notes Payable, (ii) the UPC Broadband Note that was repaid during 2012 and (iii) the Unitymedia Hessen Note that was entered into during 2013. For additional information regarding our related-party debt, see notes 6 and 12 to our consolidated financial statements.

Interest income – related-party

Our related-party interest income increased €22.6 million or 25.9% in 2013, as compared to 2012. This increase is primarily due to higher average outstanding related-party balances and, to a lesser extent, slightly higher weighted average interest rates. Our related-party interest income relates to (i) the UPC Western Europe Loans Receivable, (ii) the UPC Broadband Loan Receivable and (iii) the loan receivable with Unitymedia Hessen that was repaid to us during 2013. For additional information regarding our related-party loans receivable, see notes 9 and 12 to our consolidated financial statements.

Income tax expense

We recognized income tax expense of €77.6 million and €83.1 million during 2013 and 2012, respectively. Each of these amounts approximates the income tax expense that would result from the application of the Dutch income tax rate of 25.0% to our earnings before income taxes.

For additional information regarding our income taxes, see note 7 to our consolidated financial statements.

Net earnings

During 2013 and 2012, we reported net earnings of €219.4 million and €242.9 million, respectively, including (i) operating income of €279.0 million and €338.7 million, respectively, (ii) net non-operating income (expense) of €18.0 million and (€12.7 million), respectively, and (iii) income tax expense of €77.6 million and €83.1 million, respectively.

Liquidity and Capital Resources

Sources and Uses of Cash

Liquidity of UPC Nederland

At December 31, 2014, we had consolidated cash of €4.1 million. In addition to cash, our primary source of liquidity is cash provided by operations. From time to time, we may also supplement our sources of liquidity with net proceeds received from loans or contributions from UPC Western Europe (and ultimately from Liberty Global or other Liberty Global subsidiaries).

Our liquidity is generally used to fund property and equipment additions. From time to time, we may also require cash in connection with (i) the repayment of outstanding related-party debt, (ii) the satisfaction of contingent liabilities, (iii) acquisitions or other investment opportunities and (iv) distributions or loans to UPC Western Europe (and ultimately to Liberty Global or other Liberty Global subsidiaries).

For information concerning the Ziggo Group Holding Transaction and certain related financing transactions that will impact our future liquidity and capital resources, see note 12 to our consolidated financial statements.

Capitalization

Our ability to generate cash from our operations will depend on our future operating performance, which is in turn dependent, to some extent, on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond our control. Notwithstanding our negative working capital position at December 31, 2014, we believe that our sources of liquidity will be sufficient to fund our currently anticipated working capital needs, property and equipment additions and other liquidity requirements during the next 12 months, although no assurance can be given that this will be the case. In this regard, it is not possible to predict how economic conditions, sovereign debt concerns or any adverse regulatory developments could impact the credit markets we may access and, accordingly, our future liquidity and financial position. 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. Furthermore, the UPC Broadband Holding bank credit facility and the indentures governing the senior notes issued by UPC Holding contain certain leverage and other covenants that, among other considerations, effectively restricted our ability to incur third-party debt prior to the completion of the Ziggo Group Holding Transaction. For information concerning the Ziggo Group Holding Transaction and certain related financing transactions that will impact our future liquidity and capital resources, see note 12 to our consolidated financial statements.

Consolidated Statements of Cash Flows

Consolidated Statements of Cash Flows – 2014 compared to 2013

Summary. The 2014 and 2013 consolidated statements of cash flows are summarized as follows:

	Year ended December 31, 2014	2013	Change
	in millions		
Net cash provided by operating activities	€ 481.7	€ 476.5	€ 5.2
Net cash used by investing activities	(514.7)	(523.2)	8.5
Net cash provided by financing activities	36.2	47.0	(10.8)
Net increase in cash	€ 3.2	€ 0.3	€ 2.9

Operating Activities. The increase in net cash provided by our operating activities is primarily attributable to the net effect of (i) an increase in the cash provided by our operating cash flow and related working capital changes and (ii) a decrease in cash provided due to higher cash payments for interest.

Investing Activities. The decrease in net cash used by our investing activities is primarily attributable to the net effect of (i) a decrease in cash used of €26.7 million due to lower capital expenditures and (ii) an increase in cash used of €19.0 million associated with higher advances to related-parties.

The capital expenditures that we report in our consolidated statements of cash flows do not include amounts that our company has financed under vendor financing or capital lease arrangements. Instead, these amounts are reflected as non-cash additions to our property and equipment when the underlying assets are delivered and as repayments of debt when the principal is repaid. In the following discussion, we refer to (a) our capital expenditures as reported in our consolidated statements of cash flows, which exclude amounts financed under vendor financing or capital lease arrangements, and (b) our total property and equipment additions, which include our capital expenditures on an accrual basis and amounts financed under vendor financing or capital lease arrangements. For additional information, see notes 5 and 6 to our consolidated financial statements.

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

	Year ended December 31, 2014	2013
	in millions	
Property and equipment additions	€ 159.2	€ 183.7
Assets acquired under related-party capital leases	(3.5)	(5.6)
Assets acquired under a financing arrangement	—	(4.8)
Assets acquired under related-party capital-related vendor financing arrangements	(12.3)	(3.0)
Changes in current liabilities related to capital expenditures (including related-party amounts)	(2.9)	(3.1)
Capital expenditures	€ 140.5	€ 167.2

The decrease in our property and equipment additions is primarily attributable to the net effect of (i) a decrease in expenditures for the purchase and installation of customer premises equipment, (ii) a decrease in expenditures for support capital, such as information technology upgrades and general support systems and (iii) an increase in expenditures for new build and upgrade projects to expand services. During 2014 and 2013, our property and equipment additions represented 17.2% and 19.6% of our revenue, respectively.

After giving effect to the Ziggo Group Holding Transaction, we expect the percentage of revenue represented by our and Ziggo's aggregate 2015 consolidated property and equipment additions to range from 19% to 21%. The actual amount of our 2015 consolidated property and equipment additions may vary from expected amounts for a variety of reasons, including (i) changes in (a) the competitive or regulatory environment, (b) business plans or (c) our current or expected future operating results and (ii) the availability of sufficient capital. Accordingly, no assurance can be given that our actual property and equipment additions will not vary materially from our expectations.

Financing Activities. The decrease in net cash provided by our financing activities is primarily attributable to the net effect of (i) a decrease in cash provided of €35.6 million related to higher net borrowings of related-party debt and (ii) an increase in cash provided of €21.2 million due to cash received related to a leasing transaction during 2014.

Consolidated Statements of Cash Flows – 2013 compared to 2012

Summary. The 2013 and 2012 consolidated statements of cash flows are summarized as follows:

	Year ended December 31, 2013	Year ended December 31, 2012	Change
	in millions		
Net cash provided by operating activities	€ 476.5	€ 415.7	€ 60.8
Net cash used by investing activities	(523.2)	(386.5)	(136.7)
Net cash provided (used) by financing activities	47.0	(30.8)	77.8
Net increase (decrease) in cash	€ 0.3	€ (1.6)	€ 1.9

Operating Activities. The increase in net cash provided by our operating activities is primarily attributable to the net effect of (i) an increase in cash provided due to lower cash payments for interest and (ii) a decrease in the cash provided by our operating cash flow and related working capital changes.

Investing Activities. The increase in net cash used by our investing activities is primarily attributable to (i) an increase in cash used of €84.9 million associated with higher advances to related-parties and (ii) an increase in cash used of €56.1 million due to higher capital expenditures.

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

	Year ended December 31, 2013	Year ended December 31, 2012
	in millions	
Property and equipment additions	€ 183.7	€ 172.7
Assets acquired under related-party capital leases	(5.6)	(5.0)
Assets acquired under a financing arrangement	(4.8)	—
Assets acquired under related-party capital-related vendor financing arrangements	(3.0)	(51.0)
Changes in current liabilities related to capital expenditures (including related-party amounts)	(3.1)	(5.6)
Capital expenditures	€ 167.2	€ 111.1

The increase in our property and equipment additions is primarily attributable to the net effect of (i) an increase in expenditures for support capital, such as leasehold improvements, information technology upgrades and general support systems, (ii) a decrease in expenditures for the purchase and installation of customer premises equipment and (iii) an increase in expenditures for new build and upgrade projects to expand services. During 2013 and 2012, our property and equipment additions represented 19.6% and 18.1% of our revenue, respectively.

Financing Activities. The change in net cash provided (used) by our financing activities is primarily attributable to an increase in cash of €70.5 million related to higher net borrowings of related-party debt.

Off-Balance Sheet Arrangements

Borrowings under the UPC Broadband Holding bank credit facility are secured by pledges on the shares of our company and certain other subsidiaries of UPC Broadband Holding. Borrowings under the UPC Broadband Holding bank credit facility are also guaranteed by our company. In addition, the UPC Broadband Holding bank credit facility and the indentures governing the senior notes issued by UPC Holding contain certain leverage and other covenants that, among other considerations, effectively restricted our ability to incur third-party debt prior to the completion of the Ziggo Group Holding Transaction. For information concerning the Ziggo Group Holding Transaction and certain related financing transactions that will impact our future liquidity and capital resources, see note 12 to our consolidated financial statements.

Debt Maturities and Contractual Commitments

For information concerning our debt maturities as of December 31, 2014, see notes 6 and 12 to our consolidated financial statements. For information concerning our contractual commitments as of December 31, 2014, see note 10 to our consolidated financial statements.

Critical Accounting Policies, Judgments and Estimates

In connection with the preparation of our consolidated financial statements, we make estimates and assumptions that affect the reported amounts of assets and liabilities, revenue and expenses, and related disclosure of contingent assets and liabilities. Critical accounting policies are defined as those policies that are reflective of significant judgments, estimates and uncertainties, which would potentially result in materially different results under different assumptions and conditions. We believe the following accounting policies are critical in the preparation of our consolidated financial statements because of the judgment necessary to account for these matters and the significant estimates involved, which are susceptible to change:

- Impairment of property and equipment and intangible assets (including goodwill);
- Costs associated with construction and installation activities;
- Useful lives of long-lived assets; and
- Income tax accounting.

For additional information concerning our significant accounting policies, see note 3 to our consolidated financial statements.

Impairment of Property and Equipment and Intangible Assets

Carrying Value. The aggregate carrying value of our property and equipment and intangible assets (including goodwill) that were held for use comprised 45.5% of our total assets at December 31, 2014.

We review, when circumstances warrant, the carrying amounts of our property and equipment and our intangible assets (other than goodwill) to determine whether such carrying amounts continue to be recoverable. Such changes in circumstance may include, among other items, (i) an expectation of a sale or disposal of a long-lived asset or asset group, (ii) adverse changes in market or competitive conditions, (iii) an adverse change in legal factors or business climate in the markets in which we operate and (iv) operating or cash flow losses. For purposes of impairment testing, long-lived assets are grouped at the lowest level for which cash flows are largely independent of other assets and liabilities, generally at or below the reporting unit level (see below). If the carrying amount of the asset or asset group is greater than the expected undiscounted cash flows to be generated by such asset or asset group, an impairment adjustment is recognized. Such adjustment is measured by the amount that the carrying value of such asset or asset group exceeds its fair value. We generally measure fair value by considering (a) sale prices for similar assets, (b) discounted estimated future cash flows using an appropriate discount rate and/or (c) estimated replacement cost. Assets to be disposed of are carried at the lower of their financial statement carrying amount or fair value less costs to sell.

We evaluate goodwill for impairment at least annually on October 1 and whenever other facts and circumstances indicate that the carrying amount of goodwill may not be recoverable. For impairment evaluations, we first make a qualitative assessment to determine if goodwill may be impaired. If it is more-likely-than-not that a reporting unit's fair value is less than its carrying value, we then compare the fair value of the reporting unit to its respective carrying amount. A reporting unit is an operating segment or one level below an operating segment (referred to as a "component"). We have identified one reporting unit to which all goodwill is assigned. If the carrying value of the reporting unit were to exceed its fair value, we would then compare the implied fair value of the reporting unit's goodwill to its carrying amount, and any excess of the carrying amount over the fair value would be charged to operations as an impairment loss.

When required, considerable management judgment is necessary to estimate the fair value of reporting units and underlying long-lived assets. We typically determine fair value using an income-based approach (discounted cash flows) based on assumptions in our long-range business plans and, in some cases, a combination of an income-based approach and a market-based approach. With respect to our discounted cash flow analysis used in the income-based approach, the timing and amount of future cash flows under these business plans require estimates, among other items, of subscriber growth and retention rates, rates charged per product, expected gross margin and operating cash flow margins and expected property and equipment additions. The development of these cash flows, and the discount rate applied to the cash flows, is subject to inherent uncertainties, and actual results could vary significantly from such estimates. Our determination of the discount rate is based on a weighted average cost of capital approach, which uses a market participant's cost of equity and after-tax cost of debt and reflects the risks inherent in the cash flows. Based on the results of our 2014 qualitative assessment of our reporting unit carrying value, we determined that it was more-likely-than-not that fair value exceeded carrying value for our reporting unit.

During the three years ended December 31, 2014, we recorded no material impairments of our property and equipment and intangible assets (including goodwill).

If, among other factors, (i) our enterprise value or Liberty Global's equity values were to decline significantly, or (ii) the adverse impacts of economic, competitive, regulatory or other factors were to cause our results of operations or cash flows to be worse than anticipated, we could conclude in future periods 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.

Costs Associated with Construction and Installation Activities

We capitalize costs associated with the construction of new cable transmission and distribution facilities and the installation of new cable services. Installation activities that are capitalized include (i) the initial connection (or drop) from our cable system to a customer location, (ii) the replacement of a drop and (iii) the installation of equipment for additional services, such as digital cable, telephone or broadband internet service. The costs of other customer-facing activities, such as reconnecting customer locations where a drop already exists, disconnecting customer locations and repairing or maintaining drops, are expensed as incurred.

The nature and amount of labor and other costs to be capitalized with respect to construction and installation activities involves significant judgment. In addition to direct external and internal labor and materials, we also capitalize other costs directly attributable to our construction and installation activities, including dispatch costs, quality control costs, vehicle-related costs, and certain warehouse-related costs. The capitalization of these costs is based on time sheets, time studies, standard costs, call tracking systems and other verifiable means that directly link the costs incurred with the applicable capitalizable activity. We continuously monitor the appropriateness of our capitalization policies and update the policies when necessary to respond to changes in facts and circumstances, such as the development of new products and services, and changes in the manner that installations or construction activities are performed.

Useful Lives of Long-Lived Assets

We depreciate our property and equipment on a straight-line basis over the estimated useful life of the assets. The determination of the useful lives of property and equipment requires significant management judgment, based on factors such as the estimated physical lives of the assets, technological changes, changes in anticipated use, legal and economic factors, rebuild and equipment swap-out plans, and other factors. Our intangible assets with finite lives primarily consist of customer relationships. Customer relationship intangible assets are amortized on a straight-line basis over the estimated weighted average life of the customer relationships. The determination of the estimated useful life of customer relationship intangible assets requires significant management judgment and is primarily based on historical and forecasted subscriber disconnect rates, adjusted when necessary for risk associated with demand, competition, technological changes and other economic factors. We regularly review whether changes to estimated useful lives are required in order to accurately reflect the economic use of our property and equipment and intangible assets with finite lives. Any changes to estimated useful lives are reflected prospectively. Depreciation and amortization expense during 2014, 2013 and 2012 was €184.3 million, €176.2 million and €167.5 million, respectively. A 10.0% increase in the aggregate amount of the depreciation and amortization expense during 2014 would have resulted in a €18.4 million or 7.0% decrease in our 2014 operating income.

Income Tax Accounting

We are required to estimate the amount of tax payable or refundable for the current year and the deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts and income tax basis of assets and liabilities and the expected benefits of utilizing net operating loss and tax credit carryforwards, using enacted tax rates in effect for each taxing jurisdiction in which we operate for the year in which those temporary differences are expected to be recovered or settled. This process requires our management to make assessments regarding the timing and probability of the ultimate tax impact of such items.

Net deferred tax assets are reduced by a valuation allowance if we believe it more-likely-than-not such net deferred tax assets will not be realized. Establishing or reducing a tax valuation allowance requires us to make assessments about the timing of future events, including the probability of expected future taxable income and available tax planning strategies. At December 31, 2014, the aggregate valuation allowance provided against deferred tax assets was €4.6 million. The actual amount of deferred income tax benefits realized in future periods will likely differ from the net deferred tax assets reflected in our December 31, 2014 consolidated balance sheet due to, among other factors, possible future changes in income tax law or interpretations thereof in the jurisdictions in which we operate and differences between estimated and actual future taxable income. Any of such factors could have a material effect on our current and deferred tax positions as reported in our consolidated financial statements. A high degree of judgment is required to assess the impact of possible future outcomes on our current and deferred tax positions.

Tax laws in jurisdictions in which we operate are subject to varied interpretation, and many tax positions we take are subject to significant uncertainty regarding whether the position will be ultimately sustained after review by the relevant tax authority. We recognize the financial statement effects of a tax position when it is more-likely-than-not, based on technical merits, that the position will be sustained upon examination. The determination of whether the tax position meets the more-likely-than-not threshold requires a facts-based judgment using all information available. In a number of cases, we have concluded that the more-likely-than-not threshold is not met, and accordingly, the amount of tax benefit recognized in our consolidated financial statements is different than the amount taken or expected to be taken in our tax returns.

We are required to continually assess our tax positions, and the results of tax examinations or changes in judgment can result in substantial changes to our unrecognized tax benefits.

For additional information concerning our income taxes, see note 7 to our consolidated financial statements.

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Ziggo Bond Company B.V.
Annual Report 2014

Financial Statements

CONTENTS

Consolidated statement of income

Amounts in thousands of €	Note	For the year ended December 31, 2014	For the year ended December 31, 2013
Revenues	5	1,607,677	1,564,843
Cost of goods sold		284,253	288,276
Personnel expenses	6, 7	226,443	189,000
Contracted work		122,570	57,461
Materials & logistics		2,665	3,033
Marketing & sales		83,240	76,885
Office expenses		57,546	54,253
Other operating expenses		11,869	8,254
Amortisation and impairments	10	159,415	24,121
Depreciation and impairments	11	340,050	253,068
Total operating expenses		**1,288,051**	**954,351**
Operating income		**319,626**	**610,492**
Net financial expense	8	(615,690)	(222,291)
Result before income taxes		**(296,064)**	**388,201**
Net result of joint ventures and associates (after tax)	14	(6,673)	(9,111)
Income tax benefit (expense)	9	96,770	(30,057)
Net result for the year		**(205,967)**	**349,033**
Net result attributable to equity holders		**(205,967)**	**349,033**

The accompanying notes to this consolidated statement of income form an integral part of these consolidated financial statements.

Consolidated statement of comprehensive income

Amounts in thousands of €	For the year ended December 31, 2014	For the year ended December 31, 2013
Net result for the year	**(205,967)**	**349,033**
Net other comprehensive income to be reclassified to profit or loss in subsequent periods	-	-
Items not to be reclassified to profit or loss in subsequent periods:		
Cash flow hedges, net of tax	865	3,462
Net other comprehensive income not being reclassified to profit or loss in subsequent periods	**865**	**3,462**
Total comprehensive income for the period	**(205,102)**	**352,495**
Total comprehensive income attributable to equity holders	**(205,102)**	**352,495**

Consolidated statement of financial position

Amounts in thousands of €	Note	December 31, 2014	December 31, 2013
ASSETS			
Intangible assets	10	3,313,302	3,416,418
Property and equipment	11	1,468,017	1,473,278
Loans receivable related parties	12	1,532,128	-
Derivative financial instruments	27	57,127	-
Other non-current financial assets	13	1,255	1,125
Investments in joint ventures	14	5,125	3,437
Deferred tax assets	9	122,618	77,137
Total non-current assets		**6,499,572**	**4,971,395**
Inventories	15	35,083	40,004
Trade accounts receivable	16	22,911	37,887
Other current assets	17	45,369	54,352
Cash and cash equivalents	18	26,819	77,157
Total current assets		**130,183**	**209,401**
TOTAL ASSETS		**6,629,755**	**5,180,796**
EQUITY AND LIABILITIES			
Issued share capital		18	18
Share premium		840,982	840,982
Other reserves		-	(865)
Retained earnings		195,507	401,474
Equity attributable to equity holders	**19**	**1,036,507**	**1,241,609**
Interest bearing loans	20	4,710,261	3,073,489
Derivative financial instruments	27	115,536	21,194
Provisions	21	14,513	19,830
Deferred tax liabilities	9	353,393	414,766
Other non-current liabilities	22	453	1,986
Total non-current liabilities		**5,194,156**	**3,531,265**
Deferred revenues		123,755	120,187
Derivative financial instruments	27	-	8,343
Provisions	21	12,018	7,072
Trade accounts payable		64,815	88,199
Corporate income tax	9	2,554	4,673
Other current liabilities	23	195,950	179,448
Total current liabilities		**399,092**	**407,922**
TOTAL EQUITY AND LIABILITIES		**6,629,755**	**5,180,796**

The accompanying notes to this consolidated statement of financial position form an integral part of these consolidated financial statements.

Consolidated statement of changes in equity

Amounts in thousands of €	Issued capital	Share premium	Cash flow hedge reserve	Retained earnings	Total equity
Balance as of 31 December 2012	18	840,982	(4,327)	254,569	1,091,242
Comprehensive income					
Net profit for the year 2013	-	-	-	349,033	349,033
other comprehensive income:					
cash flow hedges, net of tax	-	-	3,462	-	3,462
Total comprehensive income	-	-	3,462	349,033	352,495
transactions with shareholders:					
Dividend payment	-	-	-	(202,128)	(202,128)
Total transaction with shareholders	-	-	-	(202,128)	(202,128)
Balance as of 31 December 2013	**18**	**840,982**	**(865)**	**401,474**	**1,241,609**
Comprehensive income					
Net loss for the year 2014	-	-	-	(205,967)	(205,967)
other comprehensive income:					
cash flow hedges, net of tax	-	-	865	-	865
Total comprehensive income	-	-	865	(205,967)	(205,102)
Balance as of 31 December 2014	**18**	**840,982**	**-**	**195,507**	**1,036,507**

The accompanying notes to this consolidated statement of changes in equity form an integral part of these consolidated financial statements.

Consolidated statement of cash flows

Amounts in thousands of €	Note	For the year ended December 31, 2014	For the year ended December 31, 2013
Operating activities			
Result before income taxes		(296,064)	388,201
Adjustments for:			
Amortisation and impairments	10	159,415	24,121
Depreciation and impairments	11	340,050	253,068
Movement in provisions	21	(371)	(4,137)
Net financial expense	8	615,690	222,291
Operating cash flow before changes in working capital		818,720	883,544
Changes in working capital relating to:			
Inventories	15	(4,921)	(12,022)
Trade accounts receivable	16	(14,976)	(17,906)
Other current assets	17	(1,688)	(26,319)
Trade accounts payable		(23,384)	(385)
Deferred revenues		3,568	9,232
Other current liabilities	23	47,053	(168,480)
Change in working capital		5,652	(215,880)
Income tax paid		(2,351)	-
Net cash flow from operating activities		**822,021**	**667,664**
Investing activities			
Purchase of intangible and tangible assets	10,11	(378,949)	(342,649)
Acquisition of business, net of cash acquired	4	-	(15,186)
Additional contribution to joint ventures	14	(7,500)	(7,948)
Interest received		119	44
Change in financial assets		(130)	(406)
Net cash flow used in investing activities		**(386,460)**	**(366,145)**
Financing activities			
Proceeds from loans	20	4,515,966	1,378,500
Repayments of loans	20	(3,042,164)	(1,288,348)
Interest paid		(203,925)	(190,762)
Dividend paid		-	(202,128)
Financing and commitment fees		(175,275)	(12,689)
Unwind derivative financial instruments		(48,373)	-
Issued loans related parties		(1,532,128)	(1,298)
Net cash flow from financing activities		**(485,899)**	**(316,725)**
Net (decrease) / increase in cash and cash equivalents		**(50,338)**	**(15,206)**
Net cash and cash equivalents at January 1		77,157	92,363
Net cash flow from operating, investing and financing activities		(50,338)	(15,206)
Net cash and cash equivalents as of December 31		**26,819**	**77,157**

The accompanying notes to this consolidated statement of cash flows form an integral part of these consolidated financial statements.

Notes to the consolidated financial statements

1. The Company and its operations

The Company is the owner and operator of a broadband cable network in the Netherlands and provides analogue and digital radio and television, broadband internet and telephony services in the Netherlands to 2.9 million households and businesses under the brand name Ziggo. The principal activity of the Company is the exploitation of its broadband cable network. The shares of the Company are held by Zesko B.V. The ultimate parent of the Company is Liberty Global plc (registered office: 38 Hans Crescent, SW1X 0LZ, London) since November 11, 2014, following the public offer for all of Ziggo N.V. issued and outstanding ordinary shares.

2. Basis of preparation

Date of authorisation of issue

The consolidated financial statements of Ziggo Bond Company B.V. for the year ended December 31, 2014 were prepared by the Board of Management and adopted on April 1, 2015. The Company is a private limited company incorporated in Amsterdam (registered office: Winschoterdiep 60, 9723 AB Groningen) in the Netherlands.

Statement of compliance

The consolidated financial statements of the Company and all its subsidiaries have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union and in accordance with part 9 of Book 2 of the Dutch Civil Code.

Measurement basis

The consolidated financial statements have been prepared on a historical cost basis, except for derivative financial instruments that have been measured at fair value. The consolidated financial statements are presented in thousands of euros (€) except when otherwise indicated.

Foreign currency translation

The consolidated financial statements are presented in euros (€), which is the Company's functional and presentation currency. Transactions in currencies other than the functional currency are recorded at the rates of exchange prevailing at the transaction dates. Monetary items denominated in foreign currencies are translated into the Company's functional currency at the spot rate of exchange at the reporting date. Exchange differences arising on the settlement of monetary items and the translation of monetary items are included in net income for the period. Non-monetary items that are measured on a historical cost basis in a foreign currency are translated using the exchange rates at the dates of the initial transactions.

Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at December 31, 2014. Subsidiaries are fully consolidated from the date of acquisition, being the date on which the Company obtains control, and continue to be consolidated until the date that such control ceases.

Control is achieved when the Company is exposed, or has rights, to variable returns from its involvement with the investee and has the ability to affect those returns through its power over the investee. Specifically, the Group controls an investee if and only if the Group has:

- Power over the investee (i.e. existing rights that give it the current ability to direct the relevant activities of the investee);
- Exposure, or rights, to variable returns from its involvement with the investee;
- The ability to use its power over the investee to affect its returns.

The Group re-assesses whether or not it controls an investee if facts and circumstances indicate that there are changes to one or more of the three elements of control. Consolidation of a subsidiary begins when the Group obtains control over the subsidiary and ceases when the Group loses control of the subsidiary. Assets, liabilities, income and expenses of a subsidiary acquired or disposed of during the year are included in the consolidated statement of comprehensive income from the date the Group gains control until the date the Group ceases to control the subsidiary.

The financial statements of the subsidiaries are prepared for the same financial year as those of the parent company, using consistent accounting policies. Profit or loss and each component of other comprehensive income (OCI) are attributed to the equity holders of the parent company. All intra-group balances, transactions, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in preparation of the consolidated financial statements.

The consolidated financial statements of the Company include the subsidiaries mentioned in Note 28.

Use of estimates and assumptions

The preparation of financial statements requires management to make a number of estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, of revenues and expenses and the disclosure of contingent assets and liabilities. All assumptions, expectations and forecasts used as a basis for certain estimates within these consolidated financial statements represent good-faith assessments of the Company's future performance for which management believes there is a reasonable basis. These estimates and assumptions represent the Company's view at the times they are made, and only then. They involve risks, uncertainties and other factors that could cause the Company's actual future results, performance and achievements to differ materially from those forecasted. The estimates and assumptions that management considers most critical relate to:

- Impairment of goodwill and intangible assets with indefinite lives (Note 3 and Note 10)
- Deferred tax assets (Note 3 and Note 9)
- Fair value of financial instruments (Note 3, Note 26 and Note 27)
- Other long-term employee benefits (Note 3 and Note 21)
- Provisions and contingencies (Note 3, Note 21 and Note 24)

Change in presentation

In 2014, the Company changed presentation of certain items previously included in cost of goods of sold to office expenses. Comparative information 2013 has been adjusted as follows:

	2013		
Amounts in thousands of €	**Previously reported**	**Change in presentation**	**Adjusted**
Item in income statement			
Cost of goods sold	289,114	(838)	288,276
Office expenses	53,415	838	54,253

Change in accounting policies

In the current year, the Company has applied a number of amendments to IFRSs and new interpretations issued by the International Accounting Standards Board (IASB) that are mandatorily effective for an accounting period that begins on or after 1 January 2014.

IAS 8.28 Investment Entities - Amendments to IFRS 10, IFRS 12 and IAS 27 (issued October 2012). These amendments provide an exception to the consolidation requirement for entities that meet the definition of an investment entity under IFRS 10 Consolidated Financial Statements and must be applied retrospectively, subject to certain transition relief. The exception to consolidation requires investment entities to account for subsidiaries at fair value through profit or loss. These amendments had no material impact on the Company's consolidated financial statements, since none of the entities of the Company qualifies as an investment entity under IFRS 10.

Offsetting Financial Assets and Financial Liabilities - Amendments to IAS 32 (issued December 2011). These amendments clarify the meaning of 'currently has a legally enforceable right to set-off' and the criteria for non simultaneous settlement mechanisms of clearing houses to qualify for offsetting and is applied retrospectively. These amendments had no material impact on the Company's consolidated financial statements, since the Company, nor its subsidiaries have, or had, any offsetting arrangements.

Novation of Derivatives and Continuation of Hedge Accounting – Amendments to IAS 39 (issued June 2013). These amendments provide relief from discontinuing hedge accounting when novation of a derivative designated as a hedging instrument meets certain criteria and retrospective application is required. These amendments had no material impact on the Company's consolidated financial statements, as the Company, nor any of its subsidiaries have, or had, designated its derivatives as hedging instruments during the current or prior periods.

IFRIC 21 Levies. IFRIC 21 clarifies that an entity recognises a liability for a levy when the activity that triggers payment, as identified by the relevant legislation, occurs. For a levy that is triggered upon reaching a minimum threshold, the interpretation clarifies that no liability should be anticipated before the specified minimum threshold is reached. Retrospective application is required for IFRIC 21. This interpretation has no material impact on the Company's consolidated financial statements, as it has applied the recognition principles under IAS 37 Provisions, Contingent Liabilities and Contingent Assets consistent with the requirements of IFRIC 21 in prior years.

Annual Improvements 2010-2012 Cycle. In the 2010-2012 annual improvements cycle, the IASB issued seven amendments to six standards, which included an amendment to IFRS 13 Fair Value Measurement. The amendment to IFRS 13 is effective immediately and, thus, for periods beginning at 1 January 2014, it clarifies in the Basis for Conclusions. that short-term receivables and payables with no stated interest rates can be measured at invoice amounts when the effect of discounting is immaterial. This amendment to IFRS 13 had no material impact on the Company's consolidated financial statements.

Annual Improvements 2011-2013 Cycle. In the 2011-2013 annual improvements cycle, the IASB issued four amendments to four standards, which included an amendment to IFRS 1 First-time Adoption of International Financial Reporting Standards. The amendment to IFRS 1 is effective immediately and, thus, for periods beginning at 1 January 2014, clarifies in the Basis for Conclusions, that an entity may choose to apply either a current standard or a new standard that is not yet mandatory, but permits early application, provided either standard is applied consistently throughout the periods presented in the entity's first IFRS financial statements. This amendment to IFRS 1 has no material impact on the Company's consolidated financial statements, since the Company previously adopted IFRS for financial reporting and applied IFRS 1 as it then existed.

Change in accounting estimates

Following a discussion with the Dutch Financial Services and Markets Authority (AFM) as a result of questions raised by the AFM in January 2014 concerning how the Company concluded that the useful life of customer relationships was indefinite, Ziggo re-evaluated its conclusion regarding the useful life to be assigned to its customer relationships.

In this re-evaluation, the Company, among many factors, took into consideration the changing market conditions that Ziggo is experiencing. Many of the changing market conditions are a reflection of recent changes within the telecom market as a result of evolving technology and increased competition.

From Q1 2011 until Q1 2014, the Company applied an indefinite useful life approach and, therefore, did not amortize the intangible asset value of its customer relationships. As appropriate in accounting for indefinite lived intangible assets, the Company annually tested the customer relationship intangible asset for impairment. The Company concluded that the useful life of the customer relationship intangible asset was indefinite as there was, based on then existing facts and available data, no foreseeable limit to the period over which the intangible asset was expected to generate net cash inflows.

In determining the fair value at acquisition date, the intangible asset identified as customer relationships generally contains two components that are distinct yet closely related:

1. The "Access Right", representing the license to operate, maintain, update and expand the network. This ensures that the existing and future customers can be serviced through the acquired cable-related assets;
2. The "Active Clients", representing the active customer base at the moment of acquisition.

As of Q2 2014, Ziggo has separated the carrying amount of the two components, Access Right and Active Clients, as separate categories of intangible asset that had previously collectively been categorized as customer relationships. This re-categorization was based on relative the fair values of each of the two intangible asset categories, Access Right and Active Clients. Based on analysis of available data and taking into consideration current market circumstances, Ziggo re-assesses its estimate of the remaining useful life of these intangible assets as the re-assessment now indicates a foreseeable limit to the period over which the respective intangible assets are expected to generate net cash inflows. Based on this re-assessment, the useful life of Active Clients is estimated at 14 years and the useful life for the Access Rights at 30 years. Based on the assessment, no impairment needs to be recognized regarding the carrying amount of the intangible assets and the Company began amortizing these intangible assets effective April 1, 2014. This results in an annual amortization charge of €120 million to reflect the remaining useful lives of 7 and 23 years, respectively for Active Clients and Access Right. The Company has accounted for the amortization charges in the second quarter of 2014 as a change in accounting estimate.

3. Significant accounting policies

Significant accounting policies applied in the preparation of the consolidated financial statements are presented below. These policies have been consistently applied through all periods presented, unless otherwise stated.

Segment reporting

IFRS 8 "Operating Segments" defines an operating segment as a component of the Company that engages in business activities from which it may earn revenues and incur expenses that is reviewed regularly by the Board of Management (Chief Operating Decision Maker or CODM), in making decisions as to the resources to be allocated to the segment and assesses its performance.

Segment results are reported to the CODM include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Performance of the segment is evaluated on the basis of several measures, of which operating income excluding depreciation and amortisation (EBITDA) is the most important. Segment assets and liabilities do not include corporate assets and liabilities and income tax assets and liabilities. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

In the assessment of operating segments, the Company concluded there is only one operating segment, based on the following:

CODM makes decisions on the basis of financial results for the Company as a single segment;

- The Company has only one geographic area in which it operates;
- The Company has an integrated network for all activities;
- The Company's investments and related costs are not allocated to its specific business lines or products.

Business combinations

Business combinations are accounted for using the acquisition accounting method when control is transferred to the Company. The cost of an acquisition is measured as the aggregate of the consideration transferred, measured at acquisition date fair value, and the amount of any non-controlling interest in the acquiree. For each business combination, the acquirer measures the non-controlling interest in the acquiree either at fair value or at the proportionate share of the acquiree's identifiable net assets. Acquisition costs are expensed as incurred and included in other operating expenses.

Any contingent consideration is recognised at fair value at the acquisition date. Subsequent changes to the fair value of the contingent consideration, that is classified as an asset or liability, are remeasured at subsequent reporting dates in accordance with IAS 39 "Financial Instruments: Recognition and Measurement" or IAS 37 "Provisions, Contingent Liabilities and Contingent Assets" as appropriate, with the corresponding gain or loss being recognised in the consolidated statement of income. Contingent consideration that is classified as equity is not remeasured and settlement is accounted for within equity.

Intangible assets

Goodwill

Goodwill represents the excess fair value of consideration transferred in an acquisition over the Company's interest in the net fair value of the identifiable assets acquired and liabilities assumed at the date of acquisition, and is carried at cost less accumulated impairment losses. Goodwill paid on the acquisition of joint ventures and associates is included in the carrying amount of the respective investment.

For the purposes of annual impairment testing, goodwill is allocated to the Company's cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination. The Company has identified one cash-generating unit, the network of the Company, which supports all business operations.

Other intangible assets

Intangible assets acquired separately are measured at cost on initial recognition. The cost of intangible assets acquired in a business combination is its fair value at the date of acquisition. Following initial recognition, intangible assets are carried at cost less accumulated amortisation and accumulated impairment losses. Internally generated intangible assets, excluding capitalised development costs, are not capitalised. Expenditures are reflected in the consolidated statement of income as incurred.

The useful lives of intangible assets are assessed as either finite or indefinite. Intangible assets with finite lives are amortised over their useful economic lives and assessed for impairment at least annually or whenever there is an indication that the economic benefits related to the intangible asset have changed. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each reporting date. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the intangible assets are accounted for by revising the amortisation period or method, as appropriate, and treated as changes in accounting estimates. Such a change in the useful life assessment is made on a prospective basis.

Intangible assets with indefinite useful lives are not amortised, but are tested for impairment at least annually. The assessment of indefinite life is reviewed annually to determine whether the assignment of an indefinite life to the intangible asset remains appropriate. If not, the change in useful life from indefinite to finite is made on a prospective basis.

The customer relationships acquired upon the merger into Ziggo in 2008, had initially been amortised on a straight line basis of 12-14 years. As from April 2011, the Company re-evaluated the useful life of its acquired customer relationships and determined that an indefinite life should be assigned and, consequently, ceased amortising its customer relationships intangible assets. With reference to note 2 'Basis for preparation' (specifically under, Change in accounting estimates), Ziggo re-assessed the assignment of an indefinite life to customer relationships and began amortising the customer relationships from April 1, 2014.

The customer relationship recorded upon the acquisition of Esprit is being amortised on a straight line basis over 4.5 years.

The customer relationship recorded upon the acquisition of Esprit Telecom is being amortised on a straight line basis over 4.5 years, since the customer relationships acquired are not dependent on the infrastructure (network) of the Company, the Company concluded that the assigned life of the intangible asset is not indefinite.

Software is amortised in 3-5 years using the straight-line method over its economically useful life.

Gains or losses arising from disposition of an intangible asset are measured as the difference between the net proceeds received upon disposition and the carrying amount of the assets and is recognised in the consolidated statement of income upon disposition.

Property and equipment

Property and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any. Cost includes direct costs (materials, replacement parts, direct labour and contracted work) and directly attributable office expenses. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that takes a substantial period of time to get ready for its intended use (i.e., a qualifying asset under IAS 23) are capitalised as part of the costs of the respective assets. Borrowing costs consist of interest and other costs that an entity incurs in connection with the borrowing of funds. The interest percentage used reflects the weighted average interest rate of the Company.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset, taking into account residual value. Land is not depreciated. The useful lives of the property and equipment are as follows:

	Useful lives
Network active (head-end, local network)	10-12 years
Network passive (fibre)	12-20 years
Network equipment (IP and datacom equipment)	5 years
Other	3-20 years

The property and equipment residual values, useful lives and methods of depreciation are reviewed and adjusted if appropriate at each reporting period. Any change in estimate resulting from this review is applied prospectively.

The cost of replacing a component of an item of property and equipment is included in the respective asset's carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the component will flow to the Company and the cost of the component can be measured reliably. The carrying amount of the replaced component is derecognised.

Property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use. Any gain or loss arising from derecognition of the property and equipment (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the consolidated statement of income in the period the respective property and equipment is derecognised. The property and equipment's gross costs and accumulated depreciation is removed from the consolidated financial statements upon derecognition.

Repairs and maintenance are charged to operating expense as incurred.

Leases

The determination of whether an arrangement is or contains a lease is based on the substance of the arrangement and requires an assessment of whether the fulfilment of the arrangement is dependent on the use of a specific asset or assets and the arrangement conveys a right to use the asset.

Finance leases, which transfer substantially all the risks and benefits incidental to ownership of the leased item to the Company, are capitalised at the inception of the lease at the fair value of the leased item or, if lower, at the present value of the minimum lease payments. Lease payments are apportioned between the finance charges and reduction of the lease liability so as to achieve a constant rate of interest on the remaining balance of the liability. Finance charges are recognised as a financial expense as incurred.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset or the lease term, if there is no reasonable certainty that the Company will obtain ownership by the end of the lease term.

Operating lease payments are recognised in operating expense in the consolidated statement of income on a straight-line basis over the lease term.

Impairment of non-financial assets

The Company assesses at each reporting period, whether there is an indication that a non-financial asset may be impaired. If any such indication exists, or when annual impairment testing for an asset is required, the Company makes an estimate of the asset's recoverable amount. An asset's recoverable amount is the higher of an asset's or cash-generating unit's fair value less costs of disposal and its value in use and is determined for an individual asset, unless the asset does not generate cash inflows that are largely independent of those from other assets or groups of assets. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. In assessing value in use, the estimated future cash flows are discounted to their present value using a pre-tax discount rate that reflects current market assessments of the time value of money and the risks specific to the asset. In determining fair value less costs of disposal, an appropriate valuation model is used. These calculations are substantiated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations recognised in the consolidated statement of income will be recorded in a separate line item in the expense categories consistent with the classification of the impaired asset.

For assets excluding goodwill, an assessment is made at each reporting date as to whether there is any indication that previously recognised impairment losses may no longer exist or may have decreased. If such an indication exists, the Company makes an estimate of the recoverable amount. A previously recognised impairment loss is reversed only if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. If that is the case, the carrying amount of the asset is increased to its recoverable amount. That increased amount cannot exceed the carrying amount that would have been determined, net of depreciation, if no impairment loss had been recognised for the asset in prior years. Such a reversal is recognised in the consolidated statement of income. Impairment losses recognised in relation to goodwill are not reversed for subsequent increases in its recoverable amount in subsequent periods.

Goodwill and other assets with indefinite lives are reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that their carrying amounts may be impaired. Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. The recoverable amount is the higher of the cash-generating unit's fair value less cost to sell and its value in use. The value in use of the cash-generating unit is determined using the discounted cash flow method. Where the recoverable amount of the cash-generating unit is less than the carrying amount of the cash-generating unit to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Investments in joint ventures and associates

A joint venture is a joint arrangement whereby the Company and one or more other parties have joint control and rights to the net assets of the arrangement. Associates are entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20% and 50% of voting rights.

Joint ventures and associates are accounted for using the equity method. Under the equity method, investments in joint ventures and associates are measured at cost and adjusted for post-acquisition changes in the Company's share of the net assets of the investment (net of any accumulated impairment in the value of individual investments) until the date that significant influence or joint control ceases.

Inventories

Inventories are measured at the lower of cost or net realisable value. Cost consists of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realisable value is the estimated selling price in the ordinary course of business, less the estimated marketing, distribution and selling expenses.

Most of the inventory is not sold to customers but used in the Company's network and capitalised once deployed. Sold inventory is included in the cost of goods sold upon sale.

Provisions

Provisions are recognised when a legal or constructive obligation, which can be reliably estimated, exists as a result of a past event and it is probable that an outflow of economic benefits will be required to settle the obligation. Where the Company expects some or all of a provision to be reimbursed, the reimbursement is recognised as a separate asset but only when receipt of the reimbursement is virtually certain. The expense relating to any provision is presented in the consolidated statement of income net of any reimbursement.

A provision for restructuring is recognised when management has approved a detailed and formal restructuring plan and the restructuring has either commenced or has been announced to the parties concerned.

The Company recognises a provision for asset retirement obligations related to dismantling and removing items at leased property and restoring the site on which these items are located after termination of the lease agreement. In addition, the Company is exposed to costs of returning customer premises equipment upon termination of subscriptions.

If the effect of the time value of money is material, provisions are discounted using a current pre-tax rate that reflects, where appropriate, the risks specific to the liability. Where discounting is used, the increase in the provision due to the passage of time is recognised as other interest expense.

The net assets and net liabilities recognised in the consolidated statement of financial position for defined benefit plans and other long-term employee benefits represent the net amount of the defined benefit obligations and unrecognised past-service costs less plan assets. Actuarial gains and losses are recognised in other comprehensive income. Any net asset resulting from the calculation is limited to unrecognised past-service cost, plus the present value of available refunds and reductions in future contributions to the plan. No adjustment for the time value of money is made in case that the Company has an unconditional right to a refund of the full amount of the surplus, even if such a refund is realisable only at a future date.

Defined benefit obligations are actuarially calculated at least annually on the reporting date using the projected unit credit method. The present value of the defined benefit obligations is determined by discounting the estimated future cash outflows using interest rates of high-quality corporate bonds denominated in the currency in which the benefits will be paid, and that have an average duration similar to the expected duration of the related pension liabilities.

The Company provides pension plans for qualifying employees. The plans are multi-employer defined benefit plans with publicly or privately administered pension insurance organisations (known as 'bedrijfstak-pensioenfonds"). These pension insurance organisations are not able to provide the Company with sufficient information in order to account for the plans as defined benefit plans. As a result, the defined benefit pension plans are treated as defined contribution plans.

Contributions to defined contribution plans are recognised as a personnel expense when they are due. Post-employment benefits provided through industry multi-employer plans, managed by third parties, are generally accounted for using defined contribution criteria.

Provisions are recognised for other long-term employee benefits on the basis of discount rates and other estimates that are consistent with the estimates used for the defined benefit obligations. For these provisions the corridor approach is not applied and all actuarial gains and losses are recognised in the consolidated statement of income immediately.

Financial instruments

Financial assets

The Company initially recognises loans and receivables and deposits on the date they are originated. All other financial assets (including assets designated at fair value through profit or loss) are recognised initially on the respective trade date, which is the date that the Company becomes a party to the contractual provisions of the respective instrument.

The Company derecognises a financial asset when the contractual rights to the cash flows from the financial asset expire, or it transfers the rights to receive the contractual cash flows on the financial asset in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred.

Loans and receivables

Loans and receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such assets are recognised initially at fair value plus any directly attributable transaction costs on the date they are originated. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

An impairment is recorded in operating expenses when it is probable (based on objective evidence) that the Company will not collect all amounts due under the original terms. Impairments are calculated on an individual basis and on a portfolio basis for groups of receivables that are not individually identified as impaired and share similar credit risk characteristics. Impaired loans and receivables are derecognised when they are assessed as uncollectible.

Loans and receivables comprise loans, trade and other receivables. Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

Financial liabilities

The Company initially recognises debt securities issued and subordinated liabilities on the date they are originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the respective trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

A financial liability is derecognised when the obligation under the liability is discharged, cancelled or expires.

Where an existing financial liability is replaced by another from the same lender on substantially different terms, or the terms of an existing liability are substantially modified, such an exchange or modification is treated as a derecognition of the original liability and the recognition of a new liability, with the difference in the respective carrying amounts being recognised in the consolidated statement of income.

The Company classifies non-derivative financial liabilities into the other financial liabilities category. Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade accounts and other payables. Such financial liabilities are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, these financial liabilities are measured at amortised cost using the effective interest method.

Derivative financial instruments and hedging

The Company entered into several interest rate swaps in order to mitigate its risks associated with interest rate fluctuations. These derivatives are initially recognised at fair value. The fair value of interest rate swaps is the estimated amount that would be received or paid to terminate the swap at the reporting date, taking into account the current interest rates and creditworthiness of the swap counter parties. Credit Valuation Adjustment (CVA) is used to adjust the market value to take into account counterparty credit risk and Debit Valuation Adjustment (DVA) is used to adjust the market value to take into account the Company's own default risk. Both adjustments are in line with the valuation adjustment envisaged in IFRS 13.

As a result of the refinancing of the Company in October 2010, hedge accounting is no longer applied. Since October 2010, changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the consolidated statement of income. Until October 2010, changes in the fair value were recorded as hedge reserve in consolidated statement of changes in equity. This hedge reserve is charged straight line to the consolidated statement of income since October 2010, based on the terms of the underlying hedge instrument.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 27. The full fair value of a hedging derivative is classified as a non-current asset or liability in the consolidated statement of financial position when the remaining term to maturity of the hedged item is more than 12 months, and as a current asset or liability in the consolidated statement of financial position when the remaining term to maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability in the consolidated statement of financial position.

When a hedging instrument expires or is sold, any cumulative gain or loss recorded in the consolidated statement of changes in equity at that time is immediately transferred to the consolidated statement of income under ‘Other net financial income and expense’.

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured. Revenue from the services provided in the ordinary course of business is measured at the fair value of the consideration received or receivable, net of sales tax, customer discounts and other sales-related discounts.

Revenue primarily comprises revenues earned from subscription and usage fees on the delivery of standard cable (analogue and digital signal) and digital pay television, broadband internet and telephony (usage includes interconnect revenue) and subscriptions and services provided to the business market. Revenue from other sources primarily comprises revenue from the sale of set top boxes and other goods, revenues customer care service numbers, revenues from connection- and installation fees and various other items. Subscription and usage revenues are recognised at the time services are provided to customers. Pre-invoiced revenues are deferred and allocated to the respective period they relate to. Any unearned revenue is recognised as deferred revenue within current liabilities in the consolidated statement of financial position. Revenue from the sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually upon delivery of the goods.

The Company may provide the subscriber with an installation to establish the connection to its network and offers connection-related services. Revenue from installations is recognised immediately when the installation and services have been rendered for contracts with undefined contractual terms and is recognised in the corresponding periods of a contract with defined terms.

Cost of goods sold

Cost of goods sold include the costs for purchases of materials and services directly related to revenue, such as copyright, interconnection fees, signal delivery costs, royalties, internet service provider fees and materials and logistics cost directly related to the sale of set top boxes.

Income tax

Current income tax is recognised in the consolidated statement of income except to the extent that it relates to items recognised in other comprehensive income. The current income tax is based on the best estimate of taxable income for the year, using tax rates that have been enacted or substantively enacted at the reporting date, and adjustments for current taxes payable (receivable) for prior years.

Deferred income tax is recognised in the consolidated statement of income and is the tax expected to be payable or recoverable on differences between the carrying amounts of assets and liabilities and the corresponding tax basis used in the computation of taxable income.

Deferred income tax assets are generally recognised for all temporary differences, carry forwards of unused tax credits and unused tax losses, to the extent that it is probable that taxable profit will be available against which the deductible temporary differences and the carry forward of unused tax credits and unused tax losses can be utilised except to the extent that a deferred income tax asset arises from the initial recognition of goodwill. Deferred income tax liabilities are generally recognised for all temporary differences.

Deferred income tax assets and liabilities are based on differences between financial reporting and tax bases of assets and liabilities and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse or are substantively enacted at the reporting date. The effect of a change in tax rates on deferred income tax assets and liabilities is recognised in the period that includes the enactment date. Deferred income tax assets are reduced by a valuation allowance when the Company cannot make the determination that it is more likely than not that some portion or all of the related tax assets will be realised.

The carrying amount of deferred income tax assets is reviewed at each reporting date and reduced to the extent that it is no longer probable that sufficient taxable profit will be available to allow all or part of the deferred income tax asset to be utilised. Unrecognised deferred income tax assets are reassessed at each reporting date and are recognised to the extent that it has become probable that future taxable profits will allow the deferred tax asset to be recovered.

Deferred tax assets and liabilities are offset if a legally enforceable right exists to set off current tax assets against current tax liabilities and the deferred taxes relate to the same taxable entity and the same taxation authority.

Statement of cash flows

The consolidated statement of cash flows is prepared using the indirect method with a categorisation of cash flows between operating, investing and financing activities. The purchase of the business combination in investing activities is presented net of cash acquired.

Bank overdrafts that are repayable on demand and form an integral part of the Company's cash management are included as a component of cash and cash equivalents for the purpose of the consolidated statement of cash flows.

Standards issued but not yet effective

The following new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2014, and, consequently, have not been applied in preparing these consolidated financial statements:

Issued by the IASB and effective as from the 2015 financial year:

- Amendments to IAS 19 Defined Benefit Plans: Employee Contributions (issued November 2013)
- Annual Improvements to IFRSs 2010–2012 Cycle (issued December 2013)
- Annual Improvements to IFRSs 2011–2013 Cycle (issued December 2013)

Issued by the IASB in previous years and not yet effective as from the 2015 financial year:

- IFRS 9 Financial Instruments (issued in November 2009) and subsequent amendments (amendments to IFRS 9 and IFRS 7 issued in December 2011)

Issued by the IASB in the current year but not yet effective as from the 2015 financial year:

- IFRS 14 Regulatory Deferral Accounts (issued January 2014)
- Amendments to IFRS 11 Accounting for Acquisitions of Interests in Joint Operations (issued May 2014)
- Amendments to IFRS 16 and IAS 38 Clarification of Acceptable Methods of Depreciation and Amortisation (issued May 2014)
- IFRS 15 Revenue from Contracts with Customers (issued May 2014)
- Amendments to IAS 16 and IAS 41 Agriculture: Bearer Plants (issued June 2014)
- Amendments to IAS 27 Equity Method in Separate Financial Statements (issued August 2014)

The Company will incorporate the new standards, amendments to standards and interpretations as of their respective effective dates unless otherwise indicated. Adoption of the standards and interpretations for the next financial year are not expected to have a material impact on the consolidated financial statements and on the accompanying notes to the consolidated financial statements of the Company.

4. Business combinations

Acquisition in 2014

During the year 2014, the Company did not acquire assets or a group of assets that constitutes a business as defined in IFRS 3 “Business combinations”.

Acquisition in 2013

On May 1, 2013, Ziggo acquired 100% of the shares of Esprit Telecom B.V. (“Esprit Telecom”). This acquisition enables the Company to further expand its services to the business market. Esprit Telecom is a leading provider of voice and data services to the SME (Small and Medium Enterprises) market in the Netherlands, and has an active sales channel of dealers across the country.

Esprit Telecom is the 100% parent company of Zoranet Connectivity Services B.V. (an ICT service provider that focuses on the retail sector) and XB Facilities B.V.

Asset acquired and liabilities assumed

The fair value of the identifiable assets and liabilities of Esprit Telecom as at the date of acquisition were:

Amounts in thousands of €	Fair value recognised on acquisition
Assets	
Intangible assets	5,402
Property and equipment	2,467
Deferred tax asset	1,041
Inventories	93
Trade receivables	1,741
Other current assets	2,655
Cash and cash equivalents	2,630
Total assets	16,030
Liabilities	
Loans from financial institutions	914
Deferred tax liability	1,274
Trade payables	2,971
Other current liabilities	3,862
Total liabilities	9,021
Net asset value acquired	7,008
Goodwill arising on acquisition	11,308
Total purchase consideration	18,316

The purchase consideration comprises:

Amounts in thousands of €	
Purchase consideration	
Cash consideration	17,816
Contingent consideration	500
Total purchase consideration	18,316

Cash flow on acquisition

Amounts in thousands of €	
Cash flow on acquisition	
Net cash acquired with the subsidiary	2,630
Cash consideration	(17,816)
Net cash flow on acquisition	(15,186)

Of the total purchase consideration of €18.3 million, an amount of €11.3 million was allocated to the goodwill for the acquisition of the sales channel and product portfolio of Esprit Telecom. Additionally, the Company expects to realize synergy advantages mainly within interconnection fees from the acquisition in the future.

From the date of acquisition, Esprit Telecom contributed € 25.2 million in revenues and € 3.5 million to the operating income of the Company in 2013. If the combination had taken place as of January 1, 2013, revenues would have been €37.8 million and the operating income would have been €4.5 million for the Company in 2013.

5. Revenues

The Company's revenues comprise the following:

Amounts in thousands of €	For the year ended December 31, 2014	For the year ended December 31, 2013
Standard cable subscription	435,021	447,363
Digital pay television services	163,184	167,497
Total Video revenues	598,205	614,860
Broadband Internet subscription	498,653	464,354
Telephony subscription	152,373	137,357
Telephony usage	176,276	174,768
Total Telephony revenues	328,649	312,125
Revenues from other sources	12,515	31,805
Total Consumer Market	1,438,022	1,423,144
Business Services	169,655	141,699
Total revenues	**1,607,677**	**1,564,843**

Revenues generated from bundle subscriptions amounted to € 760.1 million (2013: € 727.5 million) and have been allocated to the individual products Video, Broadband Internet and Telephony subscriptions based on the individual product prices for each product as a percentage of the sum of the individual product price.

The Company's revenues are generated through a large customer base and no individual customer generates more than 10% of revenues. Revenues from other sources primarily comprise revenue from the sale of goods. Revenues from the sale of goods for the year ended December 31, 2014 amounted to € 11.7 million (2013: €19.1 million).

6. Personnel expenses

The Company's personnel expenses comprise the following:

Amounts in thousands of €	For the year ended December 31, 2014	For the year ended December 31, 2013
Wages and salaries	172,015	142,280
Social security costs	21,929	17,324
Pensions and other long-term employee benefits	20,638	20,418
External personnel	91,012	78,307
Lease and mileage costs	11,388	10,989
Other	8,112	6,539
Work Capitalized	(98,651)	(86,857)
Total personnel expenses	**226,443**	**189,000**

The number of employees of the Company in full time equivalents (FTEs) as at December 31, 2014 was 2,650 (2013: 2,602). The average number of employees in 2014 was 2,636 FTEs (2013: 2,567).

The one-time bonus employees received when the Company was delisted caused part of the increase in personnel expenses.

No personnel expenses for the Board of Management are included in the consolidated financial statements of the Company as those expenses are recognised in the financial statements of Ziggo Holding B.V.

7. Other operating expenses

Other operating expenses for the year ended December 31, 2014 include a management fee of €2.3 million (2013: €3.2 million) charged to the Company by Ziggo Holding B.V. for services rendered by the members of the Board of Management of Ziggo Holding B.V.

8. Net financial income and expense

Amounts in thousands of €	For the year ended December 31, 2014	For the year ended December 31, 2013
Interest on loans from financial institutions	(102,562)	(114,004)
Interest on unsecured senior notes	(83,754)	(96,708)
Interest on 6.125% secured senior notes	(8,167)	-
Interest on 3.625% secured senior notes	(6,527)	-
Other interest expense	(5,159)	(2,007)
Capitalisation of borrowing cost	12,032	12,591
Interest expense	(194,137)	(200,128)
Interest income	58	1,025
Amortisation of financing fees, including write-offs of terminated facilities	(37,717)	(51,043)
Fair value gains (losses) on derivative financial instruments	(295,875)	29,083
Commitment fees	(88,724)	(1,436)
Foreign exchange results	705	208
Other net financial income and (expense)	(421,611)	(23,188)
Net financial income (expense)	**(615,690)**	**(222,291)**

The Company's financing structure changed in 2014 and in 2013, as discussed in note 20 'Interest-bearing loans'. A loss was realised on the derivative financial instruments and by a write-off of capitalized financing fees for terminated credit facilities in 2014.

IAS 23 'Borrowing Costs' requires the Company to capitalise borrowing costs that are directly attributable to the construction of a qualifying asset, hence the Company's capitalisation of borrowing costs for assets under construction. Other interest expense relates mainly to the interest expense incurred for certain provisions and long-term employee benefits.

9. Income taxes

The subsidiaries of the Company are incorporated into the fiscal unity of LGE Holdco VI B.V. for corporate income tax purposes. For financial reporting purposes, the Company's consolidated subsidiaries calculate their respective tax assets, tax liabilities and tax benefits on a consolidated tax return basis. The Company's income tax comprises:

Amounts in thousands of €	For the year ended December 31, 2014	For the year ended December 31, 2013
Deferred tax assets	45,769	(14,404)
Deferred tax liabilities	61,373	(5,786)
Current tax liabilities	-	(2,296)
Current tax to related parties	(10,372)	(7,571)
Income tax benefit (expense)	**96,770**	**(30,057)**

The current taxes due by the Company are recognised in the consolidated statement of financial position.

A reconciliation between the statutory tax rates of 25.0% and the Company's effective tax rate is as follows:

Amounts in thousands of €	Tax rate	For the year ended December 31, 2014	Tax rate	For the year ended December 31, 2013
Result before income taxes		(296,064)		388,201
Notional tax income at statutory rates	25.00%	74,016	25.00%	(97,050)
Adjustments:				
Other adjustments prior years	0.00%	-	0.00%	-
Non deductable items	0.13%	(385)	(0.04%)	(141)
Innovation tax facilities	(7.82%)	23,139	(17.26%)	67,010
Research and development deduction	0.00%	-	(0.03%)	124
Effective tax rate / Income tax	**17.31%**	**96,770**	**7.67%**	**(30,057)**

In 2013, the Company reached an agreement with the Dutch tax authorities regarding the innovation box. The innovation box is a tax facility under Dutch corporate income tax law, which taxes profits attributable to innovation at an effective tax rate of 5% instead of the statutory rate of 25%. The innovation box tax facility reduces the effective tax rate going forward.

In 2014, the Company and the Dutch tax authorities have reached agreement on all income tax filings up to and until 2011. In 2014, income tax of €2.4 million was paid in cash (2013: nil). A current tax liability is included for corporate income tax due per December 31, 2014 of €2.6 million (2013: €4.7 million). This is the result of an intragroup transaction in which the Company transferred a portion of its assets in order to renew part of the tax loss carry-forward position and avoid expiration of these tax loss carry-forwards. In a specific subsidiary, the Company will report a profit for income tax purposes based on a pro rata percentage of the value of the transferred assets, which cannot be offset against the remaining losses of the fiscal unity, according to Dutch tax authority carry-over rules.

Deferred income tax recognised under other comprehensive income comprises:

Amounts in thousands of €	For the year ended December 31, 2014			For the year ended December 31, 2013		
	Before tax	Tax benefit	Net of tax	Before tax	Tax benefit	Net of tax
Cash flow hedges	1,153	(288)	865	4,616	(1,154)	3,462
	1,153	**(288)**	**865**	**4,616**	**(1,154)**	**3,462**

The tax effects of temporary differences influencing significant portions of the deferred tax assets and deferred tax liabilities as of December 31, 2014 and 2013, are presented below:

Amounts in thousands of €	December 31, 2012	Recognised in profit or loss	Recognised in other comprehensive income	Acquired in a business combination	December 31, 2013	Recognised in profit or loss	True-up calculation in profit or loss	Recognised in other comprehensive income	December 31, 2014
Tax loss carry forwards	-	(816)	-	1,041	225	(225)	-	-	-
Property and equipment	75,848	(6,321)	-	-	69,527	(8,328)	4,776	-	65,975
Derivative financial instruments	15,806	(7,267)	(1,154)	-	7,385	49,546	-	(288)	56,643
Deferred tax assets	91,654	(14,404)	(1,154)	1,041	77,137	40,993	4,776	(288)	122,618
Intangible assets	(385,358)	(3,241)	-	(1,156)	(389,755)	21,992	22,469	-	(345,294)
Property and equipment	(22,466)	(2,545)	-	-	(25,011)	1,351	15,561	-	(8,099)
Deferred tax liabilities	(407,824)	(5,786)	-	(1,156)	(414,766)	23,343	38,030	-	(353,393)
Deferred tax assets and liabilities	**(316,170)**	**(20,190)**	**(1,154)**	**(115)**	**(337,629)**	**64,336**	**42,806**	**(288)**	**(230,775)**

The deferred tax asset and tax liability are calculated at the statutory tax rate of 25.0%.

Recognised deferred tax assets relating to tax benefits, reflect management's estimate of realisable amounts based on historic growth numbers and expected future net results. The amounts of tax loss carry forwards are subject to assessment by local tax authorities. The deferred tax asset furthermore relates to derivative financial instruments and a balance as a result of the loss renewal transaction discussed above. The loss renewal transaction resulted in a temporary difference on the fiscal value of transferred assets and thus a higher fiscal depreciation base. This balance will decrease over time due to higher fiscal depreciation.

As per year-end 2014, the Company has no tax loss carry-forwards.

10. Intangible assets

The Company's intangible assets comprise:

Amounts in thousands of €	Goodwill	Customer relationships	Software	Total
Balance as of December 31, 2012	1,782,449	1,538,755	37,183	3,358,387
Additions	-	-	65,442	65,442
Acquired through business combinations	11,308	5,093	309	16,710
Amortisation and impairment	-	(755)	(23,366)	(24,121)
Total changes in net bookvalue 2013	11,308	4,338	42,385	58,030
Cost	1,793,757	2,406,661	354,649	4,555,067
Accumulated amortisation and impairment	-	(863,568)	(275,081)	(1,138,649)
Balance as of December 31, 2013	1,793,757	1,543,093	79,568	3,416,418
Additions	-	-	56,299	56,299
Amortisation and impairment	-	(91,110)	(68,305)	(159,415)
Total changes in net bookvalue 2014	-	(91,110)	(12,006)	(103,117)
Cost	1,793,757	2,406,661	410,948	4,611,366
Accumulated amortisation and impairment	-	(954,678)	(343,386)	(1,298,064)
Balance as of December 31, 2014	**1,793,757**	**1,451,983**	**67,562**	**3,313,302**

Value in use calculations for goodwill and customer relations are based on cash flow projections covering a maximum period of five years plus a terminal value; the four-year financial plan approved by the Company's management and the years beyond the four-year financial plan are based on models for this projection period using growth rates that do not exceed the Company's long-term average growth rate and are consistent with forecasts included in industry reports. The terminal value is calculated based on a growth rate that does not exceed the Company's long-term average growth rate and discounted at the Company's weighted average cost of capital.

The key assumptions used in the Company's goodwill and customer relationship impairment test are set out below.

The main parameters used for impairment testing are as follows:

Parameters	2014	2013
WACC	8.78%	8.78%
Growth rate (after 2018)	2.00%	2.00%

Goodwill

All goodwill acquired through business combinations has been allocated for impairment testing purposes to a single cash-generating unit at which management monitors the operating results. Impairment testing is based on the current group of customers of the Company.

Growth rate – The growth rates in the four-year financial plan reflect the Company's historic growth numbers and current market developments. The years beyond the four-year financial plan are extrapolated using estimated Company growth rates that do not exceed the Company's long-term average growth rate and are consistent with forecasts included in industry reports.

Cash flow – Free cash flow consists of consolidated operating cash flow before changes in working capital, changes in net working capital and capital expenditures. Revenues are estimated based on the Company's historic growth numbers and expected future market penetration levels, and resulting related costs and capital expenditures. Cash flow projections beyond the five-year period are captured in a terminal value and are extrapolated from the final year cash flows, discounted using the appropriate discount rate.

Discount rate – The pre-tax discount rate is calculated taking into account the relative weights of each component of the Company's capital structure and is used by management as a benchmark to assess operating performance and future investments. The pre-tax discount rate used for the 2014 goodwill impairment test is 8.78% (2013: 8.78%).

Customer relationships

The customer relationships acquired upon the merger into Ziggo in 2008, have initially been amortised on a straight line basis in 12-14 years. As from April 2011, the Company ceased amortising its customer relationships as it was concluded that the useful life of customer relationships connected to the Company's network was indefinite. With reference to note 2 'Basis for accounting', Ziggo started amortising the customer relationships again as from April 1, 2014. The Company has accounted for the amortization charges as of the second quarter of 2014, prospectively as a change in estimate.

Customer Relationship – The Company defines a customer relationship as an active connection to the Company's network multiplied by the number of residential products sold to this connection, also referred to as Revenue Generating Units (RGUs) for its consumer market connections. The maximum number of RGUs per active connection is 4 RGUs.

Sensitivity to changes in assumptions

With regard to the sensitivity analyses, no reasonably possible change in any of the above key assumptions would cause the carrying amount of the unit to materially exceed its recoverable amount.

Software

During 2014, the Company recognised an impairment for capitalised development of software of € 45.1 million (2013: nil) as certain IT projects became redundant given the planned merger with UPC. The recoverable amount of the impaired assets amount to nil after the impairment.

11. Property and equipment

The Company's property and equipment comprises:

Amounts in thousands of €	Network	Land	Other	Assets under construction	Total
Balance as of December 31, 2012	1,226,389	3,488	64,628	139,575	1,434,080
Additions	251,064	779	25,687	12,278	289,808
Acquired through business combinations	1,197	-	1,270	-	2,467
Disposals	-	-	(9)	-	(9)
Depreciation and impairment	(233,288)	-	(19,780)	-	(253,068)
Total change in net bookvalue 2013	18,973	779	7,168	12,278	39,198
Cost	5,040,372	4,267	242,106	151,853	5,438,598
Accumulated depreciation and impairment	(3,795,010)	-	(170,310)	-	(3,965,320)
Balance as of December 31, 2013	1,245,362	4,267	71,796	151,853	1,473,278
Additions	243,623	-	47,392	49,736	340,751
Disposals	(4,454)	(88)	(1,420)	-	(5,962)
Depreciation and impairment	(254,016)	-	(24,847)	(61,187)	(340,050)
Total change in net bookvalue 2014	(14,847)	(88)	21,125	(11,451)	(5,261)
Cost	5,278,051	4,179	287,065	201,589	5,770,884
Accumulated depreciation and impairment	(4,047,536)	-	(194,144)	(61,187)	(4,302,867)
Balance as of December 31, 2014	**1,230,515**	**4,179**	**92,921**	**140,402**	**1,468,017**

Network

The additions to the network include capitalised borrowing costs of €12.0 million (2013: €12.6 million). Generally, the capitalisation rate used to determine the amount of capitalised borrowing costs is a weighted average of the applicable interest rates. For 2014, a weighted average interest rate of 6.12% (2013: 6.91%) was applied.

Mortgages on all registered properties, related movable assets and network-related elements established under the Senior Credit Facilities as explained in note 20 'Interest-bearing loans'.

Assets under construction

Assets under construction relates to projects for the expansion and improvement of the Company's network and IT infrastructure. Included in assets under construction is software, for which capitalisation of costs as an intangible asset ceases no later than when the constructed asset is substantially complete or ready for its intended use.

During 2014, the Company recognised an impairment of assets under construction of € 53.3 million (2013: nil) as certain projects became redundant given the planned merger with UPC. The recoverable amount of the impaired assets amount to nil after the impairment.

12. Loans receivable related parties

Loans receivable related parties comprise a loan receivable on Zesko B.V., an intermediate holding company of the ultimate parent company. Maturity date of this new loan is December 23, 2024. Interest on this loan is 5.13%. Interest accrued and unpaid interest may, a) be payable on the last day of each month and on the date of each full or partial repayment of the outstanding principal amount or b) on the first of January of every year be added to the outstanding principal amount and interest shall accrue upon it on from that date or c) be payable in any other manner.

13. Other non-current financial assets

Other non-current financial assets consist of long-term prepaid expenses (related to information technology contracts) of €1,153 (2013: €1,021), participation in the association COIN €99, and other financial assets €3 (2013: €5).

14. Investments in joint ventures

Amounts in thousands of €	2014				2013			
	HBO Nederland Cooperatief U.A.	ZUM B.V.	ZUM B B.V.	Total	HBO Nederland Cooperatief U.A.	ZUM B.V.	ZUM B B.V.	Other non-current liabilities
Investments in joint ventures	3,437	-	-	3,437	3,556 -	- (190)	- (14)	- (204)
Transfer from other non-current liabilities	-	(286)	(936)	(1,222)				
Adjustment starting balance	-	-	-	-	170	-	-	-
Expected profit/(loss) for the year	(6,583)	(90)	-	(6,673)	(8,237)	(96)	(922)	(1,018)
Funding	7,833	814	936	9,583	7,948	-	-	-
Balance as of December 31	**4,687**	**438**	**-**	**5,125**	**3,437**	**(286)**	**(936)**	**(1,222)**

The Company has a 50% interest in ZUM B.V. (ZUM) and ZUM B B.V. (ZUMB). ZUM and ZUMB were established to participate in, finance or have other interest in, or conduct the management of frequency licences for mobile telecommunication.

The Company has a 50% interest in HBO Nederland Coöperatief U.A., which holds all the shares in HBO Netherland Distribution B.V., which is responsible for the marketing and distribution of premium HBO content in the Netherlands through television operators.

Net equity value of ZUM and ZUMB was negative in 2013, and, as a result, negative net equity value for ZUM and ZUMB was presented within other non-current liabilities in the consolidated statement of financial positon.

15. Inventories

Amounts in thousands of €	December 31, 2014	December 31, 2013
Equipment and cables	16,719	17,712
Set-top boxes	8,118	17,201
Customer premises equipment	10,800	5,659
Allowance for obsolete stock	(554)	(568)
Total Inventories	**35,083**	**40,004**

Movements in the allowance for obsolete stock were as follows:

Amounts in thousands of €	2014	2013
Balance as of January 1	568	864
Additions	200	218
Used	(214)	(514)
Balance as of December 31	**554**	**568**

16. Trade accounts receivable

Trade accounts receivable as at December 31, 2014 amounted to €22.9 million (2013: €37.9 million). The provision for doubtful debts is calculated on an individual basis and on a portfolio basis for groups of receivables that are not individually identified and that have similar credit risk profiles. The doubtful debts provision reflects probable losses in the accounts receivable balance based on historical experience by type of trade debtor and other currently available evidence.

Movements in the provision for doubtful debts were as follows:

Amounts in thousands of €	2014	2013
Balance as at January 1	4,859	3,782
Additions	4,567	3,104
Acquired in a business combination	-	839
Used	(2,940)	(2,866)
Balance as of December 31	**6,486**	**4,859**

A pledge has been given on all receivables as mentioned in note 20 ‘Interest-bearing loans’.

Trade accounts receivable are non-interest-bearing and are generally due on 30 days’ terms. Note 26 ‘Financial risks’, discloses the Company’s risks related to the trade accounts receivable.

17. Other current assets

Amounts in thousands of €	December 31, 2014	December 31, 2013
Prepaid expenses	22,126	14,171
Revenues to be invoiced	8,803	11,185
Related parties	9,135	21,567
Other current assets	5,305	7,429
Total current assets	**45,369**	**54,352**

Revenues to be invoiced, as of December 31, 2014, which will be invoiced with the bill run of January 2015, primarily comprise telephony usage and digital pay television services revenues.

Related parties comprises current account receivables from group companies, primarily used to settle the intercompany income tax position.

18. Cash and cash equivalents

All cash and cash equivalents within the Company are held within bank accounts and earn interest at floating rates based on prevailing bank deposit rates.

A pledge has been given on the accounts of the Company as mentioned in note 20 ‘Interest-bearing loans’.

19. Equity attributable to equity holders

The Company is incorporated as a private limited liability company under Dutch law. Its registered capital consists entirely of ordinary shares. The authorised capital is divided into 900 shares of €100 nominal value each.

Other reserves represents the cash flow hedge reserve. Prior to the Company's refinancing in October 2010, hedge accounting was applied resulting in a cash flow hedge reserve. After the refinancing, the Company no longer applies hedge accounting, with the hedge reserve released to consolidated statement of income for the remainder of the contractual period of the underlying hedge contracts.

20. Interest-bearing loans

Amounts in thousands of €	Interest rate	Maturity	December 31, 2014	December 31, 2013
Loans from financial institutions			3,905,724	1,143,218
Unsecured Senior Notes - original	8.000%	May-2018	-	1,187,357
Unsecured Senior Notes - new	7.125%	May-2024	733,430	-
Senior Secured Notes	3.625%	March-2020	71,107	742,914
Interest bearing loans			**4,710,261**	**3,073,489**

Movements in total interest-bearing loans were as follows:

Amounts in thousands of €	2014	2013
Balance at January 1	3,073,489	2,943,816
New term loan B Euro	2,000,000	(1,063,348)
New term loan B US dollar	1,772,838	-
Repayments on loans	(900,000)	-
Repayments on Unsecured Senior Notes	(1,208,850)	-
Issuance Unsecured Senior Notes - new	743,128	-
Facility A financial institutions	-	150,000
Repayment / Issuance of 3.625% Senior Secured Notes	(678,314)	750,000
Disagio on 3.625% Senior Secured Notes	-	(1,500)
Repayment revolving facility	(255,000)	255,000
Incretion due to disagio	6,712	1,167
Financing fees	(50,770)	(12,689)
Amortisation and impairment of financing fees	37,717	51,043
Foreign exchange differences	169,311	-
Balance as of December 31	**4,710,261**	**3,073,489**

Immediately upon announcement of the recommended offer by Liberty Global for the Company, Ziggo refinanced the majority of its interest-bearing loans.

Loans from financial institutions

Loans from financial institutions can be further broken down as follows:

Amounts in thousands of €	Interest rate	Maturity	December 31, 2014	December 31, 2013
Term loan B Euro	Euribor or floor 0.75% + 3.00%	January-2022	2,000,000	-
Term loan B US dollar	Libor or floor 0.75% + 2.75%	January-2022	1,942,149	-
Facility A loan	EURIBOR +1.75%	March-2018	-	150,000
Facility E loan (Sr. Secured Notes)	6.125%	November-2017	-	750,000
Revolving Credit Facility	EURIBOR +1.75%	March-2018	-	255,000
Financing fees			(36,425)	(11,782)
Loans from financial institutions			**3,905,724**	**1,143,218**

Facility A loan – Repaid in full

In March 2013, the Company agreed on a new Facility A loan under a credit facility of €150.0 million. Interest on the Facility A loan is Euribor+1.75% and is paid monthly. In February 2014, the facility was repaid in full and financing fees capitalized were recognized in the income statement.

Term loan B Euro - New

In total, term loan B Euro provides for a commitment of €2,000.0 million. Maturity date of term loan B Euro is January 15, 2022. At December 31, 2014 an amount of €2,000.0 million was drawn. Financing fees on term loan B Euro were €22.7 million. Interest on the loan is set at a floor of 0.75% and a fixed rate of 2.75%. If either Libor or Euribor exceeds 0.75%, interest is adjusted accordingly. The effective interest rate as per December 31, 2014 varies between 3.703% and 3.911%.

Term loan B US Dollar - New

In total, term loan B US Dollar provides for a commitment of $2,350.0 million. Maturity date of term loan B US Dollar is January 15, 2022. At December 31, 2014, an amount of $2.350.0 million was drawn. Financing fees on term loan B US Dollar were $22.8 million. Interest on the loan is set at a floor of 0.75% and a fixed rate of 2.50%. If either Libor or Euribor exceeds 0.75%, interest is adjusted accordingly. The effective interest rate as per December 31, 2014 varies between 3.4514% and 3.6595%.

Facility E loan - Repaid

In October 2010, Ziggo Finance B.V., a company managed by Deutsche Bank International Trust Company N.V., issued Senior Secured Notes of €750.0 million with a nominal interest rate of 6.125%, due in 2017. In March 2014, the facility was repaid in full and financing fees capitalized were recognized in the consolidated statement of income.

Revolving and ancillary facility - Replaced

A new revolving credit facility of €600.0 million and an ancillary facility of €50.0 million was put in place, both expiring in June 2020. Interest on the revolving facility is Euribor 2.50% and on the ancillary facility Euribor 1.75%. This new revolving credit facility replaced the former revolving credit facility of €400.0 million. As per the end of December 31, 2014, the Company had not drawn under this facility.

Prepayment

On certain occasions, prepayment of part or all of the drawn facilities is mandatory. If such events materialise, all outstanding utilisations and ancillary outstanding amounts, together with accrued interest, become immediately due and payable.

Securitisation

The entire Senior Credit Facility is secured by the Company's assets as follows:

- Mortgage on all registered properties, related movable assets, the network-related elements and the associated claims

- Pledges on all bank accounts, intellectual property rights, receivables and movable assets

The Company needs to comply on a quarterly basis with financial covenants set by the consortium of lenders of the Senior Credit Facility. These financial covenants include a net leverage ratio. The Company was in compliance with all the financial covenants for each of the respective periods in 2014 and 2013.

Financing fees
Financing fees associated with the issuance of the respective credit facilities are subtracted from the respective loans from financial institutions and amortised over the period of the related loan. Amortisation costs on financing fees are recognised as net financial income (expense) in the consolidated statement of income.

Senior Notes - Exchanged

As at December 31, 2014, the outstanding balance of the unsecured 7.125% Senior Notes 2024 amounted to €733.4 million. This item is carried at amortized cost, including principal amount (€743.1 million) and capitalized financing costs (€9.7 million). In Q1 2014, €743.1 million of the original 8.0% senior notes in the amount of €1,208.8 million were exchanged for senior notes, that upon acquisition by Liberty Global, would be exchanged by notes with a maturity to 2024 instead of 2018. As the acquisition closed, the senior notes were replaced and issued at an interest rate of 7.125%. In addition the remaining notes have been replaced by the term loan B Euro. The original balance of capitalized financing fees and capitalized discount related to the notes which have been exchanged into the new 8% Senior Notes 2018, was fully written off in Q1 2014.

Senior Secured Notes – Partial repayment

As at December 31, 2014, the remaining outstanding balance of the 3.625% Senior Secured Notes 2020 amounted to €71.1 million, stated at amortized cost, including principal amount (€71.7 million), and including capitalized funding costs and capitalized discount relating to the remaining outstanding balance. As a result of the early redemption of €678.3 million of these senior secured notes, the remaining balance of capitalized financing fees and capitalized discount relating to the notes redeemed, has been written off. The write off resulted in an additional interest charge of €1.2 million and an additional charge under the amortisation of financing fees, including write off of terminated facilities of €5.1 million included in net financial income (expense) in the consolidated statement of income.

21. Provisions

Amounts in thousands of €	Other long term employee benefits	Restructuring	Legal claims	Other	Total
Balance as of December 31, 2012	12,254	1,572	3,192	13,521	30,539
Additions (including interest cost)	914	1,473	-	5,314	7,701
Acquired in business combination	-	-	-	500	500
Usage	(1,768)	(1,384)	-	(8,263)	(11,415)
Released	(423)	-	-	-	(423)
Balance as of December 31, 2013	10,977	1,661	3,192	11,072	26,902
Current	1,767	1,299	-	4,006	7,072
Non-current	9,210	362	3,192	7,066	19,830
Balance as of December 31, 2013	10,977	1,661	3,192	11,072	26,902
Additions (including interest cost)	787	5,181	-	3,672	9,640
Acquired in business combination	-	-	-	-	-
Usage	(1,844)	(2,989)	-	(2,631)	(7,464)
Released	112	-	(2,292)	(367)	(2,547)
Balance as of December 31, 2014	10,032	3,853	900	11,746	26,531
Current	1,844	3,011	-	7,163	12,018
Non-current	8,188	842	900	4,583	14,513
Balance as of December 31, 2014	**10,032**	**3,853**	**900**	**11,746**	**26,531**

Defined benefit plans

The Company has no obligations for deficits other than higher future pension-insurance payments. The Company pays contributions on a contractual basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses in the consolidated statement of income when they are incurred. The defined benefit plans for which contributions are paid are multi-employer plans.

At December 31, 2014, the main administered pension insurance organisation had a coverage ratio of 101% (2013: 106%).

Other long-term employee benefits provision

In addition to the pension plan, the Company offers eligible participants a reduction of their working time with partial continuation of income. The plan offers eligible employees born before January 1, 1957, or employees born before January 1, 1959, and with service of at least 25 years as at December 31, 2008:

- a working time reduction of 20% between the ages of 55 and 59; and
- a working time reduction of up to 40% between the ages of 59 and 65.

According to the partial continuation of income plan rules, 75% of the working time reduction is compensated by the employer. The employee benefit plan is wholly unfunded and consequently an employer funds the plan as claims are incurred. The present value of the defined benefit obligation and service cost were measured using the Projected Unit Credit Method.

Net periodic benefit expense, which is presented in the consolidated statement of income as a component of personnel expenses, was as follows:

Amounts in thousands of €	For the year ended December 31, 2014	For the year ended December 31, 2013
Service cost	512	603
Interest cost	275	311
Actuarial (gains) / losses	112	(423)
Net periodic benefit cost	**899**	**491**

Changes in the present value of the defined benefit obligation were as follows:

Amounts in thousands of €	2014	2013
Defined benefit obligation at January 1	10,977	12,254
Service cost	512	603
Interest cost	275	311
Actuarial (gains) / losses	112	(423)
Benefits paid	(1,844)	(1,768)
Defined benefit obligation as of December 31	**10,032**	**10,977**

Since the Company recognises all actuarial results related to other long-term employee benefits immediately as an expense, the defined benefit obligation equals the liability recognised in the consolidated statement of financial position.

The assumptions used in the actuarial calculations of the defined benefit obligation and net periodic benefit expense require a degree of judgement. The key assumptions used in calculating the actuarial present value of benefit obligations and net periodic benefit expense are as follows:

	2014	2013
Discount rate	1.40%	2.60%
Price inflation	2.00%	2.00%
Future salary increase	1.00%	1.00%
Turnover rates	0.50%	0.50%
Mortality table	AG Table 2014	AG Table 2012 - 2062

The Company has applied defined benefit accounting for the other long-term employee benefit plan since January 1, 2009. The experience table is as follows:

Amounts in thousands of €	2014	2013	2012	2011	2010	2009
Effect of change(s) in assumptions	2.268	-	(7)	159	244	549
Experience adjustments	(2.156)	(423)	(269)	(531)	(1.285)	(294)
Actuarial (gains) losses	**112**	**(423)**	**(276)**	**(372)**	**(1.041)**	**255**

Restructuring provision

The Company recognised a provision for restructuring for a number of employees.

Legal claims provision

The Company recognised a provision for a limited number of disputes.

Other provisions

Other provisions include asset retirement obligations, guarantee provisions and onerous contract losses.

22. Other non-current liabilities

Other non-current liabilities consisted of the negative equity investments in ZUM and ZUMB in the amount of € nil (2013: €1.2 million) and financial lease obligations of €0.5 million (2013: €0.8 million). Reference is made to note 14 'Investments in joint ventures'.

23. Other current liabilities

The Company's other current liabilities comprise the following:

Amounts in thousands of €	December 31, 2014	December 31, 2013
Accrued interest	42,820	38,768
Accrued expenses	81,977	65,375
Taxes and social securities	56,474	49,385
Accrued employee benefits	14,679	11,532
Related parties	-	14,388
Total other current liabilities	**195,950**	**179,448**

24. Commitments and contingencies

Lease commitments

The Company leases buildings, certain office equipment and vehicles and has entered into various maintenance and support contracts for the support for network equipment. Lease terms generally range from three to five years with the option of renewal for varying terms. Lease commitments for the coming periods are shown in the following schedule:

Amounts in thousands of €	December 31, 2014			December 31, 2013
	Buildings	Other contracts	Total	Total
Within 1 year	9,790	16,363	26,153	16,020
Between 1 and 5 years	28,499	11,181	39,680	38,818
After 5 years	8,062	147	8,209	10,385
Total Lease commitments	**46,351**	**27,691**	**74,042**	**65,223**

Purchase commitments

The Company enters into purchase commitments in the ordinary course of business. As at December 31, 2014 it had purchase commitments for an amount of €51 million (2013: €77 million).

Legal proceedings

The Company is involved in a number of legal proceedings. The legal proceedings may result in a liability that is material to the Company's consolidated financial position, results of operations, or cash flows. The Company may enter into discussions regarding settlement of these proceedings, and may enter into settlement agreements, if it believes settlement is in the best interest of the Company. In accordance with IAS 37 “Provisions, Contingent Liabilities and Contingent Assets”, the Company has recognised provisions with respect to these proceedings, where appropriate, which are reflected in the consolidated statement of financial position and note 21 ‘Provisions’.

Guarantees

The Company has provided guarantees to certain unrelated parties for an amount of €1.6 million (2013: €3.9 million).

25. Related party disclosures

Identification of related parties

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party’s financial or operational decisions. The related parties comprise associated companies, key management personnel and close family members of related parties.

Transactions and positions

The following significant related party transactions occurred during the year ended December 31, 2014:

- As at year-end 2014 the Company had a loan receivable of € 1,532.1 million on LGE HoldCo VII B.V., an intermediate holding company of the ultimate parent company. Maturity date of this new loan is not determined. Interest on this loan is 5.13% and is accrued annually.
- Management fees were charged to the Company by Ziggo Holding B.V. for services rendered by the Board of Management resulting in a charge of €2.3 million in 2014 (2013: €3.2 million);
- As at year-end 2014, the Company had a current account receivable with ZUM of € nil (2013: €1,621), a trade receivable with HBO Nederland Coöperatief U.A. of €230 (2013: €347) and a trade account payable with HBO Nederland Coöperatief U.A. of €480 (2013: nil) for premium content.

In the normal course of business, the Company and its subsidiaries conduct business with related parties (mainly as a provider of internet, television and telephony services). These transactions are not considered material to the Company, either individually or in the aggregate.

26. Financial risks

The Company’s financial risk management focuses on the unpredictability of financial markets and seeks to minimise potential adverse effects on the Company’s financial position and performance. The Company is exposed to the following financial risks:

- Credit risk;
- Liquidity risk; and
- Market risk.

For each of these financial risks, which are included in the Company’s risk management programme, the Company’s exposure, objectives, policies and processes for measuring and managing risk are presented below.

Credit risk

The credit risk on trade accounts receivable is considered to be low as a result of the large customer base, the relatively small amount of receivables per customer and the high percentage of customers who pay by direct debit. The risk on trade accounts receivable from the Company’s business customers is also considered low, but this concerns a smaller customer base with, on average, larger receivables balances per business customer than for the Company’s other customers.

The analysis of the ageing of the trade accounts receivables is as follows:

Amounts in thousands of €	Total	Not due	Past due, but not impaired					
			<30 days	30-60 days	60-90 days	90-180 days	180-365 days	>365 days
2014	22,911	15,342	2,129	1,256	1,335	458	2,391	
2013	37,887	23,688	8,984	1,843	2,665	707	-	

The Company's maximum exposure to credit risk, in the event that the counterparty fails to fulfil their obligations in relation to each class of recognised financial asset, including derivatives, is the carrying amount of those assets in the consolidated statement of financial position.

Liquidity risk

The Company manages its liquidity risk on a consolidated basis with cash provided from operating activities being a primary source of liquidity. The Company manages short-term liquidity based on a rolling forecast for projected cash flows for a six-month period.

Based on the current operating performance and liquidity position, the Company believes that cash generated by operating activities and available cash balances will be sufficient for working capital, capital expenditures, interest payments, dividends and scheduled debt repayment requirements for the next twelve months and the foreseeable future.

The following table summarises the maturity profile of the Company's financial liabilities:

December 31, 2014 Amounts in thousands of €	Carrying amount	Contractual cash flows	January - March 2015	April - December 2015	2016	2017 - 2019	After 2019
Non - derivative financial liabilities							
Term loan B Euro	(1,978,670)	(2,504,255)	(5,130)	(69,070)	(74,200)	(222,600)	(2,133,254)
Term loan B US dollar	(1,927,054)	(2,404,802)	(5,003)	(62,444)	(67,447)	(202,341)	(2,067,568)
Unsecured Senior Notes - new	(733,430)	(1,228,198)	-	(49,124)	(52,948)	(158,844)	(967,283)
Senior Secured Notes	(71,107)	(84,750)	(2,599)	-	(2,599)	(7,796)	(71,757)
Finance lease	(453)	(556)	(72)	(217)	(267)	-	-
Trade accounts payable	(64,815)	(64,815)	(64,815)	-	-	-	-
Derivative financial instruments							
Cross currency swaps	57,127	(139,598)	-	(19,708)	(19,708)	(59,124)	(41,058)
Interest rate swaps	(115,536)	(170,099)	-	(24,014)	(24,014)	(72,042)	(50,029)
Total	**(4,718,402)**	**(6,426,975)**	**(77,619)**	**(200,563)**	**(217,169)**	**(650,705)**	**(5,280,920)**

December 31, 2013 Amounts in thousands of €	Carrying amount	Contractual cash flows	January - March 2014	April - December 2014	2015	2016 - 2018	After 2018
Non - derivative financial liabilities							
Loans from financial institutions	(1,143,218)	(1,379,285)	(2,009)	(51,964)	(53,973)	(1,271,339)	-
8.0 % Unsecured Notes	(1,187,357)	(1,692,691)	-	(96,708)	(96,708)	(1,499,275)	-
3.625% Senior Secured Notes	(742,914)	(994,852)	(27,188)	-	(27,188)	(81,564)	(858,912)
Finance lease	(765)	(845)	(72)	(217)	(289)	(267)	-
Trade accounts payable	(88,199)	(88,199)	(88,199)	-	-	-	-
Derivative financial instruments							
Interest rate swaps used for hedging	(29,537)	(42,941)	(8,322)	(6,424)	(8,685)	(19,510)	-
Total	**(3,191,990)**	**(4,198,813)**	**(125,790)**	**(155,313)**	**(186,843)**	**(2,871,955)**	**(858,912)**

Market risk

The Company is exposed to various market risks, including interest rate and foreign currency exchange rate risks, associated with underlying assets, liabilities and anticipated transactions. Based on the analysis of these risks, the Company selectively enters into derivatives to manage the related risk exposures.

Interest rate risk

Exposure to the risk of changes in market interest rates relates primarily to the Company's long-term debt obligations with a (partly) floating interest rate. The Company manages its exposure to changes in interest rates and its overall cost of financing by using interest rate swap (IRS) agreements. These IRS agreements are used to transform the interest rate exposure on the underlying liability from a floating interest rate into a fixed interest rate. It is the Company's policy to keep at least 70% of its borrowings at fixed rates of interest. The net interest rate risk can be analysed as follows:

Amounts in thousands		December 31, 2014	December 31, 2013
Notional amount borrowing (floating) Euro	€	(2,000,000)	(405,000)
Notional amount IRS (fixed)	€	1,566,000	250,000
Notional amount borrowing (floating) US dollar	$	(2,350,000)	-
Notional amount CCS (fixed)	$	2,350,000	-
Remaining interest rate risk	€	(434,000)	(155,000)
Cash (floating) & deposits (floating and/or fixed)		26,819	77,157
Net interest rate risk		**(407,181)**	**(77,843)**

At December 31, 2014, after taking into account the effect of interest rate swaps, 92% of the Company's borrowings were at a fixed interest rate (2013: 97%).

Sensitivity analysis for interest rate risk

The following table demonstrates the sensitivity to a possible change in interest rates, with all other variables held constant, of the Company's result before income taxes (through the impact on floating rate borrowings).

Amounts in thousands of €	December 31, 2014	December 31, 2013
Increase / decrease in basis points		
+ 20bp	(814)	(156)
+ 10bp	(407)	(78)
- 10bp	407	78
- 20bp	814	156

Foreign currency risk

The Company has transactional and financing currency exposures arising from purchases in USD and external loans in USD.

The Company enters into foreign exchange swaps to partially mitigate this risk. As at December 31, 2014, the net foreign currency exposure of the USD amounted to USD 4.2 million (2013: USD 5.5 million), relating to the net amount of cash and cash equivalents, foreign exchange swaps and trade accounts payable. At December 31, 2014, the Company had no outstanding foreign exchange swaps. (2013: nominal value € 9 million, with a fair value of close to nil).

For its variable rate interest-bearing loans in US Dollar in the amount of €1,942.2 million, the Company entered into Cross Currency Swaps (CCS) with a total notional amount of USD 2,350 million to mitigate its exposure in US Dollar in addition to the interest rate risk. The Company pays a fixed rate of interest (between 1.6520% and 1.9225% excluding a 275bps spread). The Company does not apply hedge accounting for these financial instruments.

27. Financial instruments

Fair values

The following table presents the fair values of financial instruments, based on the Company's categories of financial instruments, including current portions, compared to the carrying amounts at which these instruments are recognised in the consolidated statement of financial position:

Amounts in thousands of €	December 31, 2014 Carrying amount	December 31, 2014 Fair value	December 31, 2013 Carrying amount	December 31, 2013 Fair value
Financial assets				
Loans	102	102	104	104
Trade accounts receivable	22,911	22,911	37,887	37,887
Cash and cash equivalents	26,819	26,819	77,157	77,157
Total financial assets at amortised cost	49,832	49,832	115,148	115,148
Derivative financial instruments	57,127	57,127	-	-
Total financial assets	**106,959**	**106,959**	**115,148**	**115,148**
Financial liabilities				
Loans from financial institutions	(3,905,724)	(3,853,703)	(1,143,218)	(1,175,510)
Unsecured Senior Notes - original	-	-	(1,187,357)	(1,285,310)
Unsecured Senior Notes - new	(733,430)	(821,156)	-	-
3.625% Senior Secured Notes	(71,107)	(73,299)	(742,914)	(752,340)
Finance lease	(453)	(453)	(765)	(765)
Trade accounts payable	(64,815)	(64,815)	(88,199)	(88,199)
Total financial liabilities at amortised cost	(4,775,529)	(4,813,426)	(3,162,453)	(3,302,124)
Derivative financial instruments	(58,409)	(58,409)	(29,537)	(29,537)
Total financial liabilities	**(4,833,938)**	**(4,871,836)**	**(3,191,990)**	**(3,331,661)**

The carrying amounts of trade accounts receivable, other current assets, cash and cash equivalents and trade accounts payable approximate their fair values because of the short-term nature of these instruments and, for trade receivables, because of the fact that any recoverability loss is reflected in a provision for doubtful debts. The fair values of quoted borrowings are based on year-end ask-market quoted prices. The fair values of other non-derivative financial assets and liabilities that are not traded in an active market are estimated using discounted cash flow analyses based on market rates prevailing at year-end.

Hedging activities

At December 31, 2014, the Company had concluded interest rate swap (IRS) agreements with a total notional amount of €1,566.0 million (2013: €250.0 million) under which it paid a fixed rate of interest (between 1.5950% and 1.7330%) and received a variable rate equal to EURIBOR on the notional amount. These IRS agreements were used to reduce the exposure to changes in the variable EURIBOR rates on the outstanding loan portfolio of €2,000.0 million (2013: € 405.0 million).

For its variable rate interest-bearing loans in US Dollar in the amount of €1,942.2 million, the Company entered into Cross Currency Swaps (CCS) with a total notional amount of USD 2,350 million to mitigate its exposure in US Dollar in

addition to the interest rate risk. The Company pays a fixed rate of interest (between 1.6520% and 1.9225% excluding a 275bps spread). The Company does not apply hedge accounting for these financial instruments.

As at December 31, 2014, the Company had no foreign currency swap agreements to reduce its exposure to fluctuations in its purchase obligations denominated in US Dollar (2013: nil).

Hedge accounting

As a consequence of the refinancing of the Company in October 2010, the Company no longer applies hedge accounting for IRS, as the underlying hedges became ineffective. As of October 2010, any change in fair value of IRS is reported in net financial income and expense in the consolidated statement of income. The cash flow hedge reserve recognised under other comprehensive income is released to net financial income and expense over the remaining contractual period of the hedges concerned.

Fair value hierarchy

Of the Company's financial instruments, only derivatives are measured at fair value using the Level 2 inputs as defined in IFRS 7 "Financial Instruments: Disclosures". These Level 2 inputs are inputs other than quoted prices that are observable for the asset or liability, either directly (i.e. as prices) or indirectly (i.e. derived from prices). The fair value of derivative instruments is estimated by discounting future cash flows at prevailing market rates or based on the rates and quotations obtained from third parties.

Credit Valuation Adjustment (CVA) is used to adjust the market value to take into account counterparty credit risk and Debit Valuation Adjustment (DVA) is used to adjust the market value to take into account the Company's own default risk. Both adjustments are in line with the valuation adjustment envisaged in IFRS 13.

The Company enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade ratings. There were no changes in the valuation method of the financial instruments of the Company in 2014 and 2013.

Derivatives

The numbers and the maturities of derivative contracts, the fair values and the qualification of the instruments for financial reporting purposes are presented in the table below:

	December 31, 2014		December 31, 2013	
Amounts in thousands of €	**Number of contracts**	**Fair value**	**Number of contracts**	**Fair value**
Interest rate swaps				
within one year		-	6	(8,343)
within two - five years	20	(115,536)	5	(21,194)
Cross currency swaps				
within one year		-	-	-
within two - five years	20	57,127	-	-
Total derivative financial instruments	**40**	**(58,409)**	**11**	**(29,537)**

As per December 31, 2014, the Company hedged 92% of the outstanding balance of its floating interest rate loans under interest-bearing loans from financial institutions.

The Mark-to-Market positions for all interest rate swaps, including the forward rate swaps, which were outstanding as per December 31, 2013, have been settled for cash. The US Dollar exposure and variable interest rate exposure on the new Facility Loans have been hedged as per March 6, 2014.

The Company entered into forward starting swaps of €952 million and € 614 million, on February 27, 2014, and expiring in January 2022, and on October 1, 2014 and expiring in January 2022, respectively, in order to manage the Company's exposure to the current forward EURIBOR rate risk.

Furthermore, the Company entered into cross currency swaps of USD 1,429 million and USD 921 million, on February 27, 2014, and expiring in January 2022, and on October 1, 2014, and expiring in January 2022, respectively, in order to mitigate both its interest rate risk as well as its currency risk.

28. Subsidiaries

The following companies were the Company's significant subsidiaries as at December 31, 2014. Unless otherwise indicated, these are wholly owned subsidiaries. Subsidiaries that are not material to providing an insight into the group as required under Dutch law are omitted from this list.

With respect to the separate financial statements of a number of legal entities included in the consolidation, the Company used the exemption laid down in section 403, subsection 1 of Book 2 of the Dutch Civil Code. Pursuant to this section, the Company has issued liability statements for its subsidiaries. These companies are marked with an * in the following table.

- Amsterdamse Beheer- en Consultingmaatschappij B.V., Amsterdam, the Netherlands
- Torenspits II B.V., Amsterdam, the Netherlands*
- Ziggo B.V., Groningen, the Netherlands*
- Ziggo Netwerk B.V., Groningen, the Netherlands*
- Esprit Telecom B.V., Almere, the Netherlands*
- Breezz Nederland B.V., Den Dolder, the Netherlands
- Ziggo Netwerk II B.V., Utrecht, the Netherlands
- ZUM B.V., Amsterdam, the Netherlands (50.0%)
- ZUMB B.V., Amsterdam, the Netherlands (50.0%)
- HBO Nederland Coöperatief U.A, Amsterdam, the Netherlands (50.0%)

29. Subsequent events

On March 31, 2015 the Company announced that 450 employees will be laid-off in the coming three years. Also a few hundred of temporary contracts and external contracts will not be continued.

No other material events occurred between the end of the reporting period and the date on which these financial statements were published.

CORPORATE FINANCIAL STATEMENTS

Income statement

Amounts in thousands of €	Note	For the year ended December 31, 2014	For the year ended December 31, 2013
Net financial income / (expense)	3	9,588	-
Result before income taxes		**9,588**	**-**
Result from investments, after tax	4	(213,158)	349,033
Income tax		(2,397)	-
Net result attributable to equity holders		**(205,967)**	**349,033**

The accompanying notes to this income statement form an integral part of these financial statements.

Statement of financial position

Amounts in thousands of €	Note	December 31, 2014	December 31, 2013
ASSETS			
Investments in subsidiaries	4	1,029,316	1,241,609
Loans receivable related parties	5	1,532,128	1,187,357
Total non-current assets		**2,561,444**	**2,428,966**
Other current assets	6	8,085	-
Total current assets		**8,085**	**-**
TOTAL ASSETS		**2,569,529**	**2,428,966**
EQUITY AND LIABILITIES			
Issued share capital		18	18
Share premium		840,982	840,982
Other reserves		-	(865)
Retained earnings		195,507	401,474
Equity attributable to equity holders	**7**	**1,036,507**	**1,241,609**
Interest-bearing loans	8	1,522,429	1,187,357
Total non-current liabilities		**1,522,429**	**1,187,357**
Other current liabilities	9	10,593	-
Total current liabilities		**10,593**	**-**
TOTAL EQUITY AND LIABILITIES		**2,569,529**	**2,428,966**

The accompanying notes to this statement of financial position form an integral part of these financial statements.

Notes to the corporate financial statements

1. Corporate information

Ziggo Bond Company B.V. is a private limited company having its corporate seat in Amsterdam (registered office: Winschoterdiep 60, 9723 AB Groningen) the Netherlands.

Ziggo Bond Company's principal activities are to act as a holding company for the group companies of the Ziggo group, an owner and operator of a broadband cable network in the Netherlands, and providing analogue and digital radio and television, broadband internet and telephony services in the Netherlands to 2.7 million households and businesses under the brand name Ziggo.

2. Basis of preparation

Date of authorisation of issue

The corporate financial statements of Ziggo Bond Company B.V. for the year ended December 31, 2014, were prepared by the Board of Management and adopted on April 1, 2015.

Statement of compliance

The corporate financial statements of Ziggo Bond Company B.V. have been prepared in accordance with Part 9, Book 2 of the Netherlands Civil Code. In accordance with subsection 8 of section 362, Book 2 of the Netherlands Civil Code, the measurement principles applied in these corporate financial statements are the same as those applied in the consolidated financial statements (see note 3 'Significant accounting policies' to the Company's consolidated financial statements). This means that the principles for recognition and measurement of assets and liabilities and determination of the result of Ziggo Bond Company B.V. are the same as those applied for the consolidated financial statements.

Measurement basis

The corporate financial statements of Ziggo Bond Company B.V., incorporate the same accounting principles that are applied as set out in the notes to the consolidated financial statements. These policies were consistently applied to all years presented. The amounts in the corporate financial statements are presented in thousands of euros (€) except when otherwise indicated. Reference is made to note 3 'Significant accounting policies' to the consolidated financial statements for a description of these policies.

As the financial data of Ziggo Bond Company B.V. (the parent company) are included in the consolidated financial statements, the income statement in the parent company financial statements is presented in condensed form (in accordance with section 402, Book 2 of the Netherlands Civil Code).

Foreign currency translation

The corporate financial statements have been drawn up in euros (€), which is Ziggo Bond Company B.V.'s functional and presentation currency.

Investments in subsidiaries

Investments in subsidiaries are accounted for using the net asset value. Ziggo Bond Company B.V. calculates the net asset value using the accounting policies as described in note 3 'Significant accounting policies' to the consolidated financial statements. The net asset value of subsidiaries comprises the cost, excluding goodwill, of Ziggo Bond Company B.V.'s share in the net assets of its subsidiary, plus its share in income or losses since acquisition, less dividends received. In case the net asset value is negative and the Company is liable for the deficit of the subsidiary, the carrying amount is presented as “Provision for the net capital deficit of investments”.

3. Financial income and expense

Amounts in thousands of €	2014	2013
Interest expense	(108,033)	(100,688)
Commitment fees	(48,082)	-
Interest income from related parties	165,703	100,688
Net financial income / (expense)	**9,588**	**-**

4. Investment in subsidiaries

Movements of the Company’s investment in its only directly owned subsidiary, Amsterdamse Beheer- en Consultingmaatschappij B.V., were as follows:

Amounts in thousands of €	2014	2013
Balance at 1 January	1,241,609	1,091,242
Cash flow hedge reserve	865	3,462
Dividend	-	(202,128)
Subsidiary net result	(213,158)	349,033
Balance as of December 31	**1,029,316**	**1,241,609**

5. Loans receivable related parties

Loans receivable related parties comprise a loan receivable on Zesko B.V., an intermediate holding company of the ultimate parent company. Maturity date of this new loan is December 23, 2024. Interest on this loan is 5.13%. Interest accrued and unpaid interest may, a) be payable on the last day of each month and on the date of each full or partial repayment of the outstanding principal amount or b) on the first of January of every year be added to the outstanding principal amount and interest shall accrue upon it on from that date or c) be payable in any other manner.

6. Other current assets

Other current assets represent interest on the loans receivable related parties (2013: nil).

7. Shareholders' equity

The Company is incorporated as a private limited liability company under Dutch law. Its authorised capital consists entirely of ordinary shares.

Amounts in thousands of €	31 December 2014	31 December 2013
Authorised capital		
Ordinary shares 900 of €100 each	90	90
Issued and fully paid (181 shares)	18	18
Share premium	840,982	840,982
Other reserves	-	(865)
Retained earnings	195,507	401,474
Equity attributable to equity holders	**1,036,507**	**1,241,609**

8. Interest-bearing loans

As at December 31, 2014, the outstanding balance of the unsecured 7.125% Senior Notes 2024 amounted to €733.4 million. This item is carried at amortized cost, including principal amount (€743.1 million) and capitalized financing costs (€9.7 million). In Q1 2014, €743.1 million of the original 8.0% senior notes in the amount of €1,208.8 million were exchanged for senior notes, that upon acquisition by Liberty Global, would be exchanged by notes with a maturity to 2024 instead of 2018. As the acquisition closed, the senior notes were replaced and issued at an interest rate of 7.125%. In addition the remaining notes have been replaced by the term loan B Euro. The original balance of capitalized financing fees and capitalized discount related to the notes which have been exchanged into the new 8% Senior Notes 2018, was fully written off in Q1 2014. This write off of financing fees resulted in an additional charge of €3.3 million and an additional charge under the amortisation of financing fees, including write off of terminated facilities of €9.8 million included in net financial income (expense) in the consolidated statement of income.

The Senior Notes are senior obligations of the Company and are guaranteed by UPC Nederland Holding I B.V. The effective annual interest rate on the unsecured 7.125% senior notes 2024 is 7.32%, which is recognised as financial expense.

The Company also has a related party loan payable to Amsterdamse Beheer- en Consultingmaatschappij B.V., a 100% subsidiary in the amount of €789.0 million. Maturity date of this new loan is December 23, 2024. Interest on this loan is 5.13%. Interest accrued and unpaid interest may, a) be payable on the last day of each month and on the date of each full or partial repayment of the outstanding principal amount or b) on the first of January of every year be added to the outstanding principal amount and interest shall accrue upon it on from that date or c) be payable in any other manner.

9. Other current liabilities

Other current liabilities comprise of interest payable in the amount of €8.2 million and income tax payable (intercompany) of €2.4 million (2013: nil).

10. Commitments and contingencies

Ziggo Bond Company B.V. has no outstanding commitments or contingencies.

11. Related party disclosures

Identification of related parties

Parties are considered to be related if one party has the ability to control or exercise significant influence over the other party's financial or operational decisions. Related parties include associated companies, key management personnel and close family members of related parties.

Transactions and positions

In the normal course of business, Ziggo Bond Company B.V. conducts business with related parties (mainly as a provider of internet, television and telephony services). These transactions are not considered material to Ziggo Bond Company B.V., either individually or in the aggregate.

12. Subsequent events

On March 31, 2015 the Company announced that 450 employees will be laid-off in the coming three years. Also a few hundred of temporary contracts and external contracts will not be continued.

No material events occurred between the end of the reporting period and the date on which these financial statements were published.

13. Auditor's fees

The fees for services provided by the Company's independent auditor, Ernst & Young Accountants LLP and its member firms and/or affiliates to the Company and its subsidiaries can be broken down as follows:

Amounts in thousands of €	2014	2013
Audit and audit related fees	767	715
Tax related fees	237	245
Transactional related (compliance) fees	-	-
Other non-audit fees	1,067	155
Total	**2,071**	**1,115**

Amsterdam, The Netherlands

April 1, 2015

Board of Management

Baptiest Coopmans

Bert Groenewegen

Appropriation of result

The articles of association of the Company state that the distributable profits are at the disposal of the General Meeting of Shareholders for distribution of dividend or in order to be added to the reserves or for such other purposes within the Company's objects as the meeting shall decide.

The result for the year 2014, which is a loss of €206.0 million has been deducted from retained earnings.

Independent Auditor's Report

To: the shareholder of Ziggo Bond Company B.V.

Report on the financial statements

We have audited the accompanying financial statements 2014 of Ziggo Bond Company B.V., Amsterdam. The financial statements include the consolidated financial statements and the corporate financial statements. The consolidated financial statements comprise the consolidated statement of income for the year ended 31 December 2014, the consolidated statement of comprehensive income for the year ended 31 December 2014, the consolidated statement of financial position as at 31 December 2014, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended and the notes, comprising a summary of the accounting policies and other explanatory information. The corporate financial statements comprise the corporate statement of income for the year ended 31 December 2014, the corporate statement of financial position as at 31 December 2014 and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

Management is responsible for the preparation and fair presentation of these financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code and for the preparation of the board report in accordance with Part 9 of Book 2 of the Dutch Civil Code. Furthermore, management is responsible for such internal control as it determines is necessary to enable the preparation of the financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's responsibility

Our responsibility is to express an opinion on these financial statements based on our audit. We conducted our audit in accordance with Dutch law, including the Dutch Standards on Auditing. This requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error.

In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion with respect to the consolidated financial statements

In our opinion, the consolidated financial statements give a true and fair view of the financial position of Ziggo Bond Company B.V. as at 31 December 2014, its result and its cash flows for the year then ended in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Dutch Civil Code.

Opinion with respect to the corporate financial statements

In our opinion, the corporate financial statements give a true and fair view of the financial position of Ziggo Bond Company B.V. as at 31 December 2014 and its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Report on other legal and regulatory requirements

Pursuant to the legal requirement under Section 2:393 sub 5 at e and f of the Dutch Civil Code, we have no deficiencies to report as a result of our examination whether the board report, to the extent we can assess, has been prepared in accordance with Part 9 of Book 2 of this Code and whether the information as required under Section 2:392 sub 1 at b-h has been annexed. Further we report that the board report, to the extent we can assess, is consistent with the financial statements as required by Section 2:391 sub 4 of the Dutch Civil Code.

Amsterdam, April 1, 2015

Ernst & Young Accountants LLP

signed by F.J. Blenderman

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Disclaimer

The annual report and accounts contain certain forward-looking statements with respect to the financial condition, results, operations and businesses of Ziggo Bond Company B.V. These statements and forecasts involve risk and uncertainty because they relate to events and depend upon circumstances that will occur in the future. There are a number of factors that could cause actual results or developments to differ materially from those expressed or implied by these forward-looking statements and forecasts. Nothing in this annual report and accounts should be construed as a profit forecast. The financial statements were audited by Ernst & Young Accountants LLP.

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

The following discussion and analysis, which should be read in conjunction with the Ziggo Bondco December 31, 2014 Consolidated Financial Statements, the Ziggo Bondco December 31, 2013 Consolidated Financial Statements and the Ziggo Bondco December 31, 2012 Consolidated Financial Statements, is intended to assist in providing an understanding of our financial condition, changes in financial condition and results of operations.

In the foregoing text, the terms "we," "our," "our company" and "us" may refer, as the context requires, to Ziggo Bondco or collectively to Ziggo Bondco and its subsidiaries. Unless otherwise indicated, operating and statistical data, including subscriber statistics and product offerings, are as of December 31, 2014 and are based on Ziggo Bondco's methodologies prior to the Ziggo Acquisition and do not reflect any changes to such methodologies as a result of implementing Liberty Global's policies following the Ziggo Acquisition.

Overview

On November 11, 2014, we became a subsidiary of Liberty Global. We provide video, broadband internet, fixed-line telephony and mobile services to consumers and businesses in The Netherlands. At December 31, 2014, our network covered an estimated 55% of the country by homes passed. A cornerstone of our strategy is to offer a combination of services in packages, in particular our triple-play offering, the "All-in-1" bundle, which offers subscribers the convenience of receiving video, broadband internet and telephony services from us at a lower price when compared to three individual service subscriptions.

Our high penetration of homes passed with standard TV allows us to market our other services directly to our subscribers and supports our strong market positions. Standard TV subscribers includes basic analog subscribers (including access to 25 analog TV channels) and subscribers who have installed digital receivers or use a common interface plus (CI+) module and activated a smart card granting them access to 60 digital TV channels (including 20 HD channels). Our residential broadband internet services subscribers generally access the internet via cable modems connected to their personal computers at various download speeds up to 180 Mbps, depending on the tier of service they have selected. We determine pricing for each tier of broadband internet service through analysis of speed, market conditions and other factors. On September 16, 2013, we launched our mobile voice and data service: Ziggo Mobile. We offer three SIM (subscriber identity module) only subscription options for consumers and three options for business clients.

Key Factors Affecting Our Businesses and Results of Operations

Our operations and the operating metrics discussed below have been, and may continue to be, affected by certain key factors as well as certain historical events and actions. The key factors affecting our business and our results of operations include, in particular, our range of products and services, including digital TV pay services and higher broadband internet access speeds, changes in our pricing, subscriber churn, our cost structure, network upgrades and maintenance and regulation. Each of these factors is discussed in more detail below.

Products and Services

We offer subscribers within our service area standard TV, digital pay TV, broadband internet, fixed-line telephony and mobile services. We frequently upgrade our product offerings and service quality, including the increase of our broadband internet speeds in order to stay competitive and increase RGUs (revenue generating unit) and ARPUs (average revenue per unit). In September 2013, we introduced mobile voice and data services to our service offerings: Ziggo Mobile. However, our growth prospects could be impacted by an increased level of competition in the Dutch market and weakness in the Dutch economy. In particular, increased levels of unemployment and a weak housing market coupled with relatively high mortgage rates experienced in recent years, could have a negative impact on the spending patterns of consumers and small businesses.

All-in-1 Bundle

At December 31, 2014, 1.50 million subscribers in the consumer market, or 56.6% of our total subscribers, subscribed to our All-in-1 bundle, compared to 1.50 million subscribers in the consumer market, or 54.8% of our total subscribers, at December 31, 2013, 1.40 million subscribers in the consumer market, or 49.1% of our total subscribers, at December 31, 2012. Our All-in-1 product has helped drive an increase in Internet RGUs, which increased by 79,000 RGUs, or 4.2%, between December 31, 2013 and December 31,

2014. In addition, subscribers to our bundled products generate higher ARPU on average than our other subscribers. The increase in bundle subscribers and the increase in revenues for internet and digital pay TV were the primary drivers of the increase in blended consumer ARPU, which increased from €39.74 for the year ended December 31, 2012 to €44.36 for the year ended December 31, 2014.

Digital Pay TV Services

We provide digital TV services, for no additional fee, to all of our TV subscribers who have activated a digital smart card. Such subscribers then have access to our digital pay TV services, which, depending on the service, can be utilized through subscriptions or on an on-demand basis through either VoD (Video on Demand) or pay-per-event. While a customer had to have an interactive receiver in order to use our VoD service, the introduction of pay-per-event offerings in the second quarter of 2011 enabled customers to order a single match from the Dutch, Spanish or English premier football leagues (the "Premier Leagues") without the need for an interactive receiver. The percentage of our total subscribers who have activated a smart card has steadily increased over the past several years, from 80.4% at December 31, 2012 to 84.7% at December 31, 2013 and to 87.6% as at December 31, 2014. From December 31, 2012 to December 31, 2014, the percentage of total subscribers who have purchased digital pay TV subscriptions has decreased from 32.1% to 30.7%. The number of subscribers possessing an interactive receiver has increased from 359,000 subscribers at the end of 2012 to almost 691,000 subscribers at December 31, 2014. Because digital pay TV subscriptions can be cancelled each month, we may see periodic changes as a result of the start and the end of the football season and as a result of campaigns in which digital pay TV packages are offered with free-view periods or discounts during the first months of initial subscription. Digital pay TV services are lower gross margin services compared to certain of our other products and services. Digital pay TV ARPU increased from €14.97 in the year ended December 31, 2012, to €16.04 in the year ended December 31, 2013 and to €16.61 in the year ended December 31, 2014.

During 2012, 2013 and the year ended December 31, 2014, we experienced a year-on-year increase in on-demand transactions. This increase resulted primarily from three factors: (i) a new TV offering launched in September 2011, which provides all of our digital TV customers with access to our library of films and series; (ii) our introduction of a pay-per-event offering in the second quarter of 2011, which enables our customers to order single matches from the Dutch, Spanish or English Premier Leagues without the need for an interactive set-top box or an additional subscription to digital pay TV; and (iii) an increase in the total number of our subscribers who have used interactive services through an interactive set-top box in the last 30 days to almost 691,000 subscribers at December 31, 2014, as compared to 566,000 such subscribers at December 31, 2013 and 359,000 such subscribers at December 31, 2012.

Due to our high subscriber penetration of standard TV services (we served approximately 62.7% of our homes passed (excluding third party networks) at December 31, 2014), increasing our revenues is dependent upon increasing our ARPU through customer subscription to additional and enhanced services rather than increased penetration of standard TV. Since the beginning of 2012, our standard TV subscribers have fallen from 2.9 million to 2.6 million at December 31, 2014. The general decline in the number of total standard TV subscribers is primarily attributable to increased competition from IPTV providers and the increased availability of triple play options from competitors in a market which has been rapidly developing towards triple play.

COGAS

As of January 1, 2015, COGAS N.V., a partner network, terminated its contract with Ziggo for the delivery of digital television, telephony and internet services over the network of COGAS N.V. This contract represented a revenue contribution of approximately €19 million and an EBITDA contribution of approximately €12 million in 2014.

Cost Structure

A majority of our cost elements, such as a portion of our network operations, customer care, billing and administration costs, is relatively fixed, while a portion of our marketing and customer services costs are relatively variable, and a portion of cost of goods sold is variable, as these costs vary with our revenues. Our most significant cost elements include author rights, signal costs and royalties (distribution/license fees which we pay to several broadcasters in order to distribute their programs and content), interconnection fees, costs of materials sold to customers, costs for marketing and sales and payroll costs. As a result of our operating leverage and operational scale, operating expenditures (excluding integration operating expenditures and depreciation and amortization) per RGU (excluding digital pay TV) has increased over the period from December 31, 2012 through December 31, 2014 at a compound rate of 8.0% compared to an increase in blended ARPU at an annual compound rate of 5.7% over the same period.

RGU acquisition costs include campaign costs, sales costs, costs of promotions and discounts during an introduction period for new subscribers and negative gross margins on set-top boxes, which are sold to subscribers as part of our campaigns to promote digital TV and All-in-1 bundles and encourage our subscribers to activate digital TV. As a result of increased competition in our markets, the costs of marketing, sales and promotions increased over the period from December 31, 2012 through December 31, 2014 at an annual compound rate of 17.2%.

One of our various new sales and subscriber retention campaigns introduced during the year ended December 31, 2014, includes an interactive recorder or receiver in combination with a one-year subscription contract. Currently, the interactive receivers and recorders included with such a one-year subscription contract are capitalized and depreciated over a useful life of two years. During the year ended December 31, 2014, we capitalized €29.2 million of interactive recorders and receivers.

We do not produce our own content and are dependent on broadcasters and other content providers for programming. We pay distribution/license fees to several broadcasters in order to distribute their content on our network. We generally pay such license fees on a per subscriber basis. Some broadcasters (local and regional commercial broadcasters and commercial radio) still pay a marginal transmission fee to Ziggo. We have signed agreements (or in some cases are in the process of renewing existing agreements) with large commercial broadcasters in the Netherlands under which we are to pay for the right to distribute their content and to receive new content rights, including high definition, video-on-demand and “TV Everywhere” rights. For on-demand content purchased by our subscribers, we generally pay a revenue share of the retail price to content providers, subject, for certain on-demand content, to fixed minimum guarantees. For packaged on-demand content we pay on a per-subscriber basis, sometimes with fixed minimum guarantees. We clear third party copyrights with various copyright collection societies.

We also incur costs in procuring set-top boxes and other products (such as telephones and routers) that we sell or provide to our customers. Through various sales channels, we sell set-top boxes and other products directly to our subscribers. We accounted for the costs of set-top boxes and other products as cost of goods sold during the years ended December 31, 2012, 2013 and 2014, with such costs amounting to €55.3 million, €37.5 million and €18.3 million, respectively. In 2013, we began offering customers a choice in the duration of their subscription contracts. For customers with a one-year contract or longer, we capitalize the cost of set-top boxes and depreciate these boxes over a two-year useful life. The amount capitalized for set-top boxes during the year ended December 31, 2014 amounted to €29.2 million versus €14.9 million in the year ended December 31, 2013. For customers with a monthly contract, we account for the cost of set-top boxes as a cost of goods sold. These costs amounted to €11.2 million during the year ended December 31, 2014 versus €30.2 million in the year ended December 31, 2013. Our cost of goods sold is affected by the percentage of our subscribers that choose to purchase set-top boxes and other products directly from us rather than from independent retailers. The overall growth of our internet, telephony and business services had a positive impact on our gross margin during the years ended December 31, 2012 and 2013. In addition, during the year ended December 31, 2014, our gross margin improved as a result of higher gross margins on our internet, telephony and business services (excluding Esprit Telecom), with a lower negative margin contribution realized on the sale of set-top boxes. The lower negative margin contribution from the sale of set-top boxes was the result of a lower volume of set-top boxes recognized as sales (68,200 during the year ended December 31, 2014 versus 223,700 during the year ended December 31, 2013) at a lower negative margin contribution per set-top box.

Network

Our ability to provide new high definition and on-demand digital TV services, broadband internet access at higher speeds and telephony services to subscribers depends, in large part, on our ability to upgrade and maintain our network and to reduce the number of analog channels to correspondingly increase digital capacity.

We carefully monitor success based capital expenditures by applying strict investment return and payback criteria. For the year ended December 31, 2013, we incurred non-integration and non-acquisition capital expenditures of €342.6 million, compared to non-integration and non-acquisition capital expenditures of €279.7 million during the year ended December 31, 2012. For the year ended December 31, 2014, we incurred non-integration and non-acquisition capital expenditures of €368.1 million. The increase in capital expenditures since 2012, is in large part, attributable to an investment program which we started during the second half of 2011 to better position Ziggo the ability to offer converged services, including mobility, TV Everywhere and, since converged services and mobility are individual services, to make changes to enable our business support systems to transition from supporting households to supporting individuals. In addition, since January 31, 2013, we have provided set-top boxes to new customers with a one-year subscription contract or to existing customers who have extended their contracts by one year, as part of our subscriber retention campaigns.

Integration of Acquisitions

The results of operations of acquired businesses are reflected in our historical consolidated financial information from the date of its acquisition. We made no significant acquisitions during the year ended December 31, 2012. On October 13, 2011, we acquired Breezz, a provider of telecom services for the Dutch SME market for a total cash consideration of €7.9 million. During the year ended December 31, 2012, Breezz contributed €6.1 million in revenues and €2.2 million in EBITDA.

On May 1, 2013, we acquired Esprit Telecom, a leading provider of voice and data services for the SME market in the Netherlands. The acquisition included Zoranet, an ICT service provider focused on the retail sector. During the year ended December 31, 2012, Esprit Telecom generated revenues of €35.3 million and a normalized EBITDA of approximately €5.3 million. The acquisition was valued at €18.3 million. From the date of acquisition, Esprit Telecom contributed €25.2 million in revenues and €3.5 million to the operating income of the Company for the year ended December 31, 2013. Esprit Telecom contributed €36.9 million in revenues and €3.7 million to the operating income of the Company for the year ended December 31, 2014

Key Operating Measures

We use several key operating measures, including RGUs and ARPU, to track and evaluate the performance of our business. Neither of these terms is a measure of financial performance under IFRS, nor have these measures been reviewed by an outside auditor, consultant or expert. These measures are derived from management information systems. As these terms are defined by our management, they may not be comparable to similar terms used by other companies.

RGUs

We classify our RGUs according to our main subscription based product lines. The following table sets forth our RGUs for our standard TV, digital pay TV, broadband internet and telephony businesses at December 31, 2012, 2013 and 2014.

	At December 31,		
	2014	**2013**	**2012**
	(thousands, except percentages)		
Footprint			
Homes passed (1)	4,242	4,247	4,213
RGUs (consumer) (2)			
Analog TV	320	408	545
Digital TV (3)	2,268	2,253	2,231
Total standard TV	**2,588**	**2,661**	**2,776**
Digital pay TV (4)	**795**	**853**	**917**
Broadband internet	**1,934**	**1,855**	**1,751**
Telephony	**1,562**	**1,565**	**1,464**
Total RGUs (consumer)	**6,879**	**6,935**	**6,908**
Of which All-in-1 bundle subscribers (service delivered through the Ziggo network)	1,465	1,459	1,363
Of which All-in-1 bundle subscribers (service delivered through 3rd party network)	33	35	32
Of which non-bundle triple-play subscribers	9	11	15
Total triple-play subscribers (5)	**1,507**	**1,506**	**1,410**
RGUs (business) (2)			
Total standard TV	149	135	116
Digital pay TV	21	18	12
Broadband internet	68	55	37
Telephony	54	43	28
Total RGUs (business)	**292**	**251**	**194**
Of which Office Basis subscribers	52	42	27
Office Plus	2	2	1
Of which Internet Plus subscribers	14	11	9
ToM & ToM Interactive (6)	77	77	76
Total RGUs (consolidated)	**7,171**	**7,186**	**7,102**
Penetration (consumer)			
Standard TV subscribers as % of homes passed (7)	62.7%	65.1%	68.0%
Digital TV subscribers as % of standard TV subscribers	87.6%	84.7%	80.4%
Digital pay TV subscribers as % of standard TV subscribers	29.4%	31.0%	32.1%
Broadband internet subscribers as % of standard TV subscribers	72.9%	67.8%	61.4%
Telephony subscribers as % of standard TV subscribers	59.0%	57.3%	51.5%
All-in-1 bundle subscribers as % of standard TV subscribers	56.6%	54.8%	49.1%
Total triple-play subscribers as % of standard TV subscribers	58.3%	56.6%	50.8%

(1) Homes passed represents all homes connected to our network directly and through third party networks, including COGAS N.V.. We provide our services to subscribers directly over our network and over certain cable networks owned by third parties with whom we have entered into exclusive or non-exclusive agreements to provide our services over their networks. The table presents total homes passed and includes 128,000, 128,000 and 113,000 homes passed by third party cable networks at December 31, 2012, 2013 and 2014, respectively.

(2) RGUs, or revenue generating units. One RGU represents one service subscription for any of the following services: standard TV, digital pay TV, broadband internet or telephony. Total RGUs are not equal to the total number of subscribers. For example, one subscriber who receives standard TV and telephony services over our network is counted as two RGUs, and one subscriber who receives standard TV, digital pay TV, broadband internet and telephony services over our network is counted as four RGUs. Based on the growth of our business revenues, we have decided to separate the reporting of consumer and business RGUs for HFC based products from January 2012 onwards.

(3) Digital TV subscribers equal the total number of standard TV subscribers who have activated a smart card at the dates indicated. Only subscribers who have activated a smart card have access to our digital pay TV services.

(4) Digital pay TV RGUs equal the total number of subscribers who subscribe for one or more digital pay TV subscriptions. For purposes of this calculation, digital pay TV services purchased on a one-off basis, such as video-on-demand, are not counted as a digital pay TV RGU.

(5) Triple-play subscribers comprise (i) All-in-1 bundle subscribers (who subscribe to our All-in-1 bundle of standard TV, broadband internet and telephony services as a package) and (ii) non-bundle triple-play subscribers (who subscribe to standard TV, broadband internet and telephony through individual service subscriptions rather than through our All-in-1 bundle).

(6) Expressed as standard TV equivalents (calculated as ToM and ToM Interactive revenues divided by the consumer retail price for standard TV (excluding VAT)).

(7) Standard TV subscribers as a percentage of homes passed is calculated by excluding homes connected to our network through third party cable networks. Although we provide certain of our services over third party networks, we generally do not offer standard TV services over third party networks, as those are provided by the third parties, and consequently, our standard TV RGUs do not include subscribers in third party service areas.

Results of Operations

The following table sets forth, for the years indicated, our results of operations.

	For the year ended December 31,		
	2014	**2013**	**2012**
		(€ in thousands)	
Standard cable subscriptions	435,021	447,363	464,533
Digital pay television	163,184	167,497	168,139
Total video revenues	598,205	614,860	632,672
Broadband internet subscriptions	498,653	464,354	442,419
Telephony subscriptions	141,728	136,978	129,048
Telephony usage	172,002	174,666	179,701
Total telephony revenues	313,730	311,644	308,749
Out-of-home	14,919	480	—
Revenues from other sources	12,515	31,805	47,461
Total consumer market	1,438,022	1,423,144	1,431,301
Business services	169,655	141,699	105,564
Total revenues	**1,607,677**	**1,564,843**	**1,536,865**
Cost of goods sold	(284,253)	(288,276)	(294,407)
Personnel expenses	(226,443)	(189,000)	(187,434)
Contracted work	(122,570)	(57,461)	(50,876)
Materials and logistics	(2,665)	(3,033)	(3,750)
Marketing and sales	(83,240)	(76,885)	(60,531)
Office expenses	(57,546)	(54,253)	(53,901)
Other operating expenses	(11,869)	(8,254)	(5,091)
Amortization and impairments	(159,415)	(24,121)	(28,407)
Depreciation and impairments	(340,050)	(253,068)	(250,707)
Total operating expenses	(1,288,051)	(954,351)	(935,111)
Operating income	**319,626**	**610,492**	**601,754**

	For the year ended December 31,		
	2014	2013	2012
		(€ in thousands)	
Net financial expense	(615,690)	(222,291)	(232,623)
Result before income taxes	**(296,064)**	**388,201**	**369,131**
Net result from joint ventures and associates	(6,673)	(9,111)	(9,389)
Income tax benefit (expense)	96,770	(30,057)	(92,307)
Net result	**(205,967)**	**349,033**	**267,435**
Other financial information:			
EBITDA (1)	819,091	887,681	880,868
Non recurring costs (2)	70,496	—	—
Adjusted EBITDA (3)	889,587	887,681	880,868
Adjusted EBITDA margin (4)	55.3%	56.7%	57.3%

(1) EBITDA represents operating income plus depreciation and amortization and is a non-IFRS measure. Although EBITDA should not be considered a substitute measure for trading profit, net cash flow from operating activities or any other measure of performance under IFRS, we believe that it provides useful information regarding our ability to meet future debt service obligations. The EBITDA measure presented in the table above may not be comparable to similarly titled measures used by other companies.

(2) Non recurring costs (which are included within total operating expenses for 2014) relate to expenses incurred in connection with the acquisition by Liberty Global and costs related to the preparations for the intended merger, including, among other things, consultancy fees, restructuring and redundancy costs.

(3) Adjusted EBITDA refers to EBITDA as adjusted to remove the effects of operating expenses incurred in connection with the acquisition by Liberty Global and costs related to the preparations for the intended merger, which was €70.5 million in the year ended December 31, 2014. Although EBITDA should not be considered a substitute measure for trading profit, net cash flow from operating activities or any other measure of performance under IFRS, we believe that it provides useful information regarding our ability to meet future debt service obligations. The Adjusted EBITDA measure presented in the table above may not be comparable to similarly titled measures used by other companies.

(4) Adjusted EBITDA margin represents Adjusted EBITDA divided by revenues and is a non-IFRS measure which may not be comparable to similarly titled measures used by other companies.

Description of Key Line Items

Total revenues. Total revenues comprise total video revenues, revenues from broadband internet subscriptions, revenues from telephony subscriptions and telephony usage, out-of-home revenues, revenues from other sources and revenues from business services, all of which are described below. Revenues generated from our All-in-1 bundle subscriptions are allocated to the individual products of standard cable, broadband internet and telephony subscriptions based on the individual product prices for each product as a percentage of the sum of the individual product prices.

Total video revenues. Total video revenues include revenues from subscriptions to our standard TV service and revenues from subscriptions for digital pay television services and transaction based video-on-demand and pay-per-view.

Broadband internet subscription revenues. Broadband internet subscription revenues include revenues from subscriptions to our broadband internet service and value added services, such as online backup, internet security and anti-virus services.

Total telephony revenues. Total telephony revenues include telephony services revenues, which are revenues from subscriptions to our telephony services, revenues from telephony usage fees, which include revenues from flat fee fixed-line subscriptions, and revenues from value added services subscriptions, such as second line telephony subscriptions.

Out-of-home revenues. Out-of-home revenues include revenues from subscriptions and usage to our SIM only mobile telephone services.

Revenues from other sources. Revenues from other sources primarily comprise reconnection fees, other initial fees such as smart card fees, charges for billing, collection fees and the sale of products, including set-top boxes.

Business services revenues. Revenues from business services include revenues from the provision of voice and internet access services to business subscribers, revenues from business bundles for home offices and small and mid-sized businesses as well as revenues from the provision of TV services to operators of multi dwelling units, including hospitals, hotels and dormitories, where it is not possible for us to contract directly with the end user.

Total operating expenses. Total operating expenses include personnel expenses, contracted work, materials and logistics, marketing and sales expenses, office expenses and other operating expenses, each of which is described below.

Cost of goods sold. Cost of goods sold includes the costs for purchases of materials and services directly related to revenues and consists primarily of video (author rights, signal costs and royalties that we pay to procure our content), telephony (interconnection fees that we pay to other network operators), internet (internet service provider fees) and other (material and logistics costs relating to the sale of set-top boxes, other products, such as telephones and routers, and materials used to connect subscribers to our network).

Personnel expenses. Personnel expenses include wages and salaries, social security costs, pension costs and other post-employment benefits and the cost of temporary and external personnel, adjusted for own work capitalized based on direct labor hours spent on projects for which such costs are capitalized.

Contracted work. Contracted work expenses include the costs of outsourced work, which primarily relates to outsourced network maintenance, outsourced IT, consultancy costs, amounts paid to operators of external call centers that the Company utilizes and the cost of other outsourced work.

Materials and logistics. Materials and logistics expenses include costs related to technical maintenance activities performed by our technical service departments not capitalizable under IFRS.

Marketing and sales. Marketing and sales expenses include costs for branding and marketing campaigns, media productions and sales costs related to direct and indirect sales activities.

Office expenses. Office expenses include costs for housing, leasing, energy, office IT, banking & billing and printing & postage, adjusted for directly attributable office expenses based on direct labor hours which are capitalized.

Other operating expenses. Other operating expenses include costs related to the provision of bad debt and insurance fees.

Amortisation and impairments. Amortisation and impairments relate to the amortisation and impairment of intangible assets (including software) and the amortisation of customer relationships, which originated from the acquisition of the Casema, Multikabel and @Home Businesses, over their useful lives.

Depreciation and impairments. Depreciation and impairments relate to the depreciation and impairment of our property and equipment over their useful lives.

Net financial income (expense). Net financial income (expense) includes interest income net of interest expense, fair value gains and losses on derivative financial instruments, commitments, amendment and extension fees for credit facilities, amortisation of capitalized financing fees related to our credit facilities and senior notes, and exchange rate gains and losses.

Operating income. Operating income represents the amount of profit from business operations, and includes total revenues less total operating expenses (which includes cost of goods sold, personnel expenses, contracted work, materials and logistics, marketing and sales, office expenses, other operating expenses, amortisation, depreciation and impairments).

Year ended December 31, 2014 compared to the Year ended December 31, 2013

Total revenues. Total revenues increased by €42.8 million, or 2.7%, to €1,607.7 million for the year ended December 31, 2014 from €1,564.8 million for the year ended December 31, 2013. Excluding revenues from other sources, total revenues increased by 4.1% over this period. The most important drivers for the growth in revenues were continued growth in internet RGUs, partly driven by an increased focus on the multi play bundle, the revenue contribution from Ziggo Mobile (launched in September 2013), a price increase for consumer products effective on April 1, 2014, and growth in the subscriptions to business bundles. The number of All-in-1 bundle subscribers remained stable and, together with an increased focus on our multi play proposition, resulted in growth in both broadband internet and telephony revenues of 7.4% and 0.7% respectively. All-in-1 bundle revenues, which are included on a pro rata basis in each of standard TV, broadband internet and telephony revenues, increased by 4.5% to €760.1 million for the year ended December 31, 2014 from €727.5 million for the year ended December 31, 2013, All-in-1 bundle subscribers represented 57% of our standard cable subscribers in the year ended December 31, 2014, compared with 55% in the year ended December 31, 2013. In recent periods, the number of subscribers to All-in-1 declined slightly resulting from customers no longer using their fixed landline and downgrading to our 2P proposition TV and Internet. Revenue growth in business services was driven by growth in our business bundles.

Total video revenues. Total video revenues in the residential market decreased by €16.6 million to €598.2 million for year ended December 31, 2014 from €614.8 million for the year ended December 31, 2013. The decrease in total video revenues was primarily attributable to the decline in revenues from standard TV as a result of a decline of 73,000 RGU's. Driven by a decline in the number of subscribers to digital pay TV from 853,000 at December 31, 2013 to 795,000 at December 31, 2014, revenue from digital pay TV declined by 2.6%, despite an increase of 20% in the number of VoD transactions in that same period and an increase in ARPU for digital pay TV of 3.6%, from €16.04 during the year ended December 31, 2013 to €16.61 during the year ended December 31, 2014. We believe that the decline in digital pay TV RGUs attributable to factors such as, depressed consumer confidence resulting from the current macro environment in the Dutch market, the growing popularity of VoD transactions (which contribute to revenue but have a somewhat negative impact on subscriptions to premium TV) and the availability of various alternatives to our customers such as OTT-providers.

Broadband internet subscription revenues. Broadband internet subscription revenues increased by €34.3 million, or 7.4%, to €498.7 million for the year ended December 31, 2014 from €464.4 million for year ended December 31, 2013. This increase was primarily due to an increase in broadband internet subscribers by 4.3% from 1,855,000 subscribers as at December 31, 2013 to 1,934,000 subscribers at December 31, 2014. ARPU for broadband internet subscriptions was relatively stable as compared to the same period during the previous year (€21.79 for the year ended December 31, 2014 versus €21.52 for the year ended December 31, 2013).

Total telephony revenues. Total telephony revenues increased by €2.0 million, or 0.7%, to €313.7 million for the year ended December 31, 2014 from €311.7 million for the year ended December 31, 2013. This increase was due to an increase in telephony subscription revenues from €137.0 million for the year ended December 31, 2013 to €141.7 million for the year ended December 31, 2014. Revenues from telephony usage over the year ended December 31, 2014 were €172.0 million and are almost flat compared to the revenue of €174.7 million that we earned during the year ended December 31, 2013. The increase in subscription revenues was primarily the result of a price increase as of April, 1 2014. The minor decline in telephony usage was mainly driven by the decline in the average number of call minutes per telephony subscriber, a trend we have seen in the last few years and which has been partly offset by the increase in the number of All-in-1 bundle subscribers. The overall decrease in telephony usage revenue was somewhat offset by the introduction of an adjusted fixed telephony rate plan effective April 1, 2014. Under this new rate plan, on-net calls, or calls between Ziggo subscribers, are chargeable but a flat fee bundle covers calls to all Dutch landlines and Dutch mobile numbers. The potential positive revenue contribution from on-net call charges was offset by the growth, 63.0% year-on-year, in the number of subscribers who selected the flat fee bundle 'VolopBellen Altijd' as part of their telephony subscription. However, revenue from flat fee bundles for the year ended December 31, 2014 increased by 39.6% compared to the twelve months ended December 31, 2013.

Out-of-home revenues. Total out-of-home revenues increased by €14.4 million, to €14.9 million for the year ended December 31, 2014 from €0.5 million for the year ended December 31, 2013. We introduced mobile voice and data services to our service offerings in September 2013 and experienced a solid growth in our revenues.

Revenues from other sources. Revenues from other sources decreased by €19.3 million, or 60.7%, to €12.5 million for the year ended December 31, 2014 from €31.8 million for the year ended December 31, 2013. Part of this decline, an amount of €11.7 million, was related to a change in accounting for the costs of tablets, which are now accounted for as a reduction of revenue over the respective contract period. Excluding this adjustment, revenue from other sources decreased by €7.6 million, or 23.9%, mainly caused by a lower number of set-top boxes sold.

Business services revenues. Business services revenues increased by €28.0 million, or 19.7%, to €169.7 million for the year ended December 31, 2014 from €141.7 million for the year ended December 31, 2013. Growth was fully attributable to the increase in the number of subscriptions to our business bundles for home offices and small enterprises. In the year ended December 31, 2014, almost 12,800 new subscribers subscribed to one of our business bundle products, Internet Plus, Office Basis and Office Plus, reaching a total of nearly 67,600 subscribers by December 31, 2014. Total revenues from the coaxial products TOM and TOMi, our collective TV contracts and business bundles in the year ended December 31, 2014 grew by €15.4 million, or 31.4%, compared to the year ended December 31, 2013, totaling €64.3 million and now representing 37.9% of total business services revenues.

Cost of goods sold. During the year ended December 31, 2014, cost of goods sold decreased to €284.3 million, down 1.4% from the year ended December 31, 2013. Our gross margin during the year ended December 31, 2014 was 82.3% of revenue versus 81.6% of revenue during the year ended December 31, 2013. Excluding the acquisition of Esprit Telecom which has been included in the consolidated results of the Company since May 1, 2013, cost of goods sold would have declined by 4.1%. Our gross margin during the year ended December 31, 2014 was 83.4% of revenue versus 82.3% of revenue during the year ended December 31, 2013. The gross margin of Esprit was dilutive to the total gross margin. Despite the gross margin dilution associated with Esprit, the Company had gross margin improvement mainly the result of higher growth in higher gross margin services, such as broadband internet, and a decline in revenue from the sale of set-top boxes which have a negative gross margin. The latter is the result of a lower volume of set-top boxes recognized as sales (68,200 in 2014 versus 223,700 in the same period of 2013) at a gross margin contribution which was also less negative for each individual set-top box compared to previous year. In addition, 249,100 set-top boxes were capitalized (116,500 in 2013), as these boxes were provided to customers as part of our sales and retention promotions covered by a one-year contract, with the ownership of the set-top boxes remaining with Ziggo. These capitalized set-top boxes represented a total value of €29.2 million in the year ended December 31, 2014 (€14.9 million in the year ended December 31, 2013).

Personnel expenses. Personnel expenses increased by 19.8%. Excluding non-recurring costs, personnel expenses increased by 8.6% from €189.0 million during the year ended December 31, 2013 to €205.3 million during the year ended year ended December 31, 2014. The internal personnel costs increased by 8.9%, driven by a slight increase in the average headcount of 69 FTEs, representing 3.0% growth in personnel costs, a salary increase per employee of approximately 3.0% and an increase in the employer contribution to social security charges, representing 2.6% growth in personnel expenses. The increase was partly offset by lower other staff related expenses, such as employee education and training and travel costs. The salary increase of approximately 3.0% was driven by both discretionary individual salary increases effective January 1, 2014 and a general salary increase in line with the collective labor agreement in the course of 2013 and at April 1, 2014. Total headcount increased by 1.7% in the year ended December 31, 2014, as compared to the year ended December 31, 2013. The increase in costs resulting from the increased headcount was partly offset by an increase in capitalized personnel costs of approximately €10.4 million, or 12.0%. The increased headcount is primarily the result of an increase in external personnel for projects relating to investments in innovation and our core infrastructure and service platforms, facilitating the addition of new services such as mobility, converged services and TV Everywhere.

Contracted work. Costs of contracted work increased by 113.3%. Excluding non-recurring costs, costs for contracted work increased by 29.6% from €57.5 million during the year ended December 31, 2013 to €74.4 million during the year ended December 31, 2014. This increase was predominantly driven by higher costs of our external call centers. Call volumes rose by approximately 24.1% compared to the year ended December 31, 2013, predominantly driven by Ziggo Mobile, with an increase in costs per call of approximately 14.3% as assurance calls represented a higher percentage of total calls compared to the comparable prior year twelve month period and a relatively higher percentage of the call volume being outsourced. In addition, higher consultancy costs and higher costs for maintenance of network and technology also contributed to the growth of contracted work. The increase in costs for maintenance and technology resulted from an increase in the capacity of our infrastructure, as well as rising maintenance costs following investments in our core infrastructure and systems facilitating the addition of new services, such as mobility and TV Everywhere.

Materials and logistics. Material and logistics expenses decreased by €0.4 million to €2.7 million for the year ended December 31, 2014 from €3.0 million for the year ended December 31, 2013.

Marketing and sales. Marketing and sales expenses increased by €6.4 million, or 8.3%, to €83.2 million for the year ended December 31, 2014 from €76.9 million for the year ended December 31, 2013. The increase was mainly the result of an increased spend on Ziggo Mobile, introduced in September 2013.

Office expenses. Office expenses increased by 6.1% to €57.5 million during the year ended December 31, 2014 from €54.3 million during the year ended December 31, 2013. Excluding non-recurring costs, office expenses increased slightly by 0.8% as compared to the same period in 2013.

Other operating expenses. Other operating expenses increased by €3.6 million to €11.9 million for the year ended December 31, 2014 from €8.3 million for the year ended December 31, 2013. Excluding Esprit Telecom, other operating expenses increased by €3.5 million or 43.0% to €11.6 million. The increase was mainly the result of **€**3.0 million expensed by Liberty Global to Ziggo Bondco.

Amortisation and impairments. Amortisation and impairments increased by €135.3 million, to €159.4 million in the year ended December 31, 2014 from €24.1 million in the year ended December 31, 2013. Following our discussion with the Netherlands Authority for the Financial Markets (AFM) and taking into consideration current market circumstances, we assessed our current accounting treatment of the customer relationships in order to reflect the changed market conditions Ziggo operates in. The changed market conditions mainly relate to the rapid changes within the telecom market, technology and the recent entrance of new competitors and increase in competition. Based on our re-assessment, we concluded that the intangible asset "customer relationships" contained two separate components that are closely related: the "access right" to provide our cable-related services in our footprint for an indefinite period and the "active clients", the active customer base. The useful life of active clients is estimated at 14 years and the useful life for the access rights at 30 years. Based on this analysis, as of the second quarter of 2014, the Company began recording an amortization charge of €30.0 million on a quarterly basis prospectively, accounting for this as a change in estimate. In addition, the amortisation of capitalized software increased by €5.7 million resulting from the investment program we started in late 2011, focused on our core infrastructure and associated systems that has facilitated the addition and continued expansion of new services, such as mobility and TV Everywhere, and the replacement of certain legacy systems. Following the acquisition, Ziggo recorded an impairment charge for software that is no longer being utilised. Total impairment recognized is €39.2 million.

Depreciation and impairments. Depreciation and impairments increased by €87.0 million, or 34.4%, from €253.1 million in the year ended December 31, 2013 to €340.0 million in the year ended December 31, 2014. This is the result of the current investment program around our core infrastructure and associated systems and the replacement of certain legacy systems that has facilitated the addition and continued expansion of services, such as mobility and TV Everywhere. As a result of this investment program, which started in late 2011, depreciation and impairments have consequently increased. Following the acquisition by Liberty Global, Ziggo ceased a number of in progress construction projects. As a consequence, assets under construction reflects an impairment charge of €61.2 million resulting from the abandonment of certain construction projects.

Operating income. Operating income decreased €290.9 million, or 47.6%, to €319.6 million for the year ended December 31, 2014 from €610.5 million for the year ended December 31, 2013, primarily due to the amortization of customer relationships and the increase of depreciation and amortization of software.

Net financial expenses. Net financial expenses increased by €393.4 million to an expense of €615.7 million for the year ended December 31, 2014 from an expense of €222.3 million for the year ended December 31, 2013. This increase is primarily driven by fair value losses on our interest rate and cross currency hedges following the decline in interest rates, as well as an increase in amortization of financing fees, including write off or terminated facilities, resulting from early tender and consent fees and call premiums resulting from the early redemption of certain Senior Secured Notes and credit facilities.

Interest income and expenses. Interest income and expenses decreased by €5.0 million, or 2.5%, to €194.1 million for the year ended December 31, 2014 from €199.1 million for the year ended December 31, 2013. In 2014, €12.0 million was allocated as capitalised borrowing costs associated with a to work in progress qualifying asset project, resulting in an interest credit, which compared to the same period last year, decreased 4.4%

Banking and financing fees. Banking and financing fees, including commitment fees, increased by €87.3 million to €88.7 million for the year ended December 31, 2014 from €1.4 million for the year ended December 31, 2013. This increase is attributable to the refinancing which was executed as a result of the intended acquisition. For the refinancing of the 3.625% Senior Secured Notes, an early tender and consent fees of 1.5% premium was paid on the notional amount as compensation for the early redemption (€10.2 million), as per the terms of the notes. In addition, a call premium of 3.063% (€23.0 million) on the 6.125% €750 million Senior Secured Notes was paid as compensation to the holders of these notes for early redemption in March 2014, in accordance with the terms of the notes. In addition, a new revolving credit facility of €650 million replaced the €400 million revolving credit facility, resulting in an increase in commitment fees.

Amortisation of financing fees. The amortisation of financing fees decreased by €13.3 million to €37.7 million for the year ended December 31, 2014 from €51.0 million for the year ended December 31, 2013. In the prior-year period, the €1.1 billion senior credit facility was refinanced, resulting in an impairment of the remaining balance of the capitalized financing costs of €42.7 million relating to this senior credit facility. As a result of the refinancing in Q1 2014 of the majority of our outstanding debt, following the announcement of the intended acquisition by Liberty Global, the capitalized financing fees relating to these notes and credit facility were impaired for an amount of €26.3 million. The capitalized financing fees of €28.5 million associated with the new credit facility result in a quarterly amortisation charge of approximately €1.0 million going forward.

Other income (i.e., fair value gains and losses on interest rate swaps). As Ziggo does not apply hedge accounting for interest rate swaps under IFRS, any change in fair value is recognized as net financial income and expense. As a result of the refinancing in January following the offer for all of the outstanding shares of Ziggo by Liberty Global, the Company settled all of its interest rate swaps relating to the former capital structure. For the new term loans, the Company entered into new interest rate swaps to manage its variable interest rate risk, and cross currency swaps to manage the currency risk on the notional amount and all future interest payments on the USD denominated term loans. In the year ended December 31, 2014, Ziggo recorded a €295.9 million loss in other income due to a negative revaluation of our USD denominated loans which is offset by a fair value gain from the FX result of our cross currency swaps, combined with a fair value loss from the interest rate swaps following a further decline in the underlying interest rates. In the same period of 2013, Ziggo reported a fair value gain of €29.1 million.

Net result from joint ventures and associates (after tax). The €6.7 million net loss from joint ventures during the year ended December 31, 2014 predominantly relates to our 50% share in the results of HBO NL, our joint venture with HBO. Investments in and results from this joint venture are accounted for using the equity method. Our share in the funding of this joint venture amounted to approximately €7.5 million in total during the year ended December 31, 2014.

Income tax benefit (expense). In the year ended December 31, 2014, Ziggo reported an income tax benefit of €96.8 million, compared to a tax charge of €30.1 million in the same period in 2013. The loss before income taxes of €296.1 million would have led to a corporate income tax benefit of €74.0 million at a statutory tax rate of 25%. The effective tax rate calculated in the year ended December 31, 2014 is affected by the impact of the innovation box facility. The innovation box is a tax facility under Dutch corporate income tax law which taxes profits attributable to innovation at an effective tax rate of 5% instead of the statutory rate of 25%. In the year ended December 31, 2014 the application of the innovation box resulted in reduced corporate income tax charges of €23.1 million. The higher fair value losses and banking and finance fees do not affect the effective tax rate directly as the fair value losses cause a temporary difference instead of a permanent difference. Banking and financing fees are deductible for tax purposes.

Net result. As a result of the foregoing, the net result amounted to a loss of €206.0 million for the year ended December 31, 2014 from a profit of €349.0 million for the year ended December 31, 2013, a decrease of €555.0 million.

Year ended December 31, 2013 compared to the Year ended December 31, 2012

Total revenues. Total revenues increased by €28.0 million, or 1.8%, to €1,564.8 million for the year ended December 31, 2013 from €1,536.9 million for the year ended December 31, 2012. Total revenues increased by 2.9% (excluding 'other revenues') or by 1.2% excluding the revenue contribution from Esprit Telecom. Esprit Telecom is consolidated effective May 1, 2013 and contributed €25.2 million in revenues in 2013 since its consolidation. The main drivers of growth in revenues were continued growth in RGUs for internet and telephony, driven by a further uptake of our All-in-1 bundle, and increased revenues from business services. The number of triple-play subscribers increased by 7.1% and resulted in growth in both broadband internet and telephony revenues of 6.0% and 6.9%, respectively. All-in-1 bundle revenues, which are included on a pro rata basis in each of standard TV, broadband internet and telephony revenues, increased by 8.3% to €727.5 million for the year ended December 31, 2013 from €672.0 million for the year ended December 31, 2012, due to an increase in All-in-1 bundle subscribers from 1.4 million at December 31, 2012 to 1.5 million at December 31, 2013. All-in-1 bundle subscribers represented 54.8% of standard cable subscribers in 2013, compared with 49.1% in 2012. Revenues from business services were spurred by organic growth of 10.3% in the business market which, combined with a €25.2 million revenue contribution from Esprit Telecom, reported total revenue growth of 34.2%.

Total video revenues. Total video revenues decreased by €17.8 million to €614.8 million for the year ended December 31, 2013 from €632.7 million for the year ended December 31, 2012. The decrease in total video revenues was primarily attributable to a decrease of €17.2 million in standard TV subscription revenues as a result of a decrease in our standard TV subscriber base in the consumer market of 4.1%. Revenues from digital pay TV, including video on demand (VOD), declined by 0.4%, driven by a decline in the number of subscribers to digital pay TV from 917,000 at the end of 2012 to 853,000 at the end of 2013, which was partly offset by an increase in ARPU for digital pay TV by 7.1%, from €14.97 in 2012 to €16.04 in 2013. The ARPU increase was driven by a strong increase in the number of VOD transactions of 48%. The decline in RGUs for digital pay TV was driven by (a) depressed consumer confidence given the macro environment, (b) the growing popularity of VOD which does not count as an RGU, and (c) our marketing focus on customer retention and All-in-1, and the launch of Ziggo Mobile instead of premium pay TV. The growth in VOD transactions was negatively impacted by the price increase for watching live football per match from €6.95 to €11.95 in the second half of 2013. In addition to the growing popularity of VOD, growth was also supported by the rise in the number of customers with an interactive set top box to 566,000 at the end of 2013, compared to 359,000 at the end of 2012.

Broadband internet subscription revenues. Broadband internet subscription revenues increased by €21.9 million, or 4.9%, to €464.4 million for the year ended December 31, 2013 from €442.4 million for the year ended December 31, 2012. This increase was primarily due to an increase in broadband internet subscribers of 5.9% from 1.8 million subscribers at December 31, 2012 to 1.9 million subscribers at December 31, 2013, partly offset by a small decrease of €0.02 per month, or 0.1%, in our broadband internet ARPU.

Total telephony revenues. Total telephony revenues increased by €3.0 million, or 0.9%, from €308.7 million for the year ended December 31, 2012 to €311.7 million for the year ended December 31, 2013. This increase was due to an increase in telephony subscription revenues from €129.0 million for the year ended December 31, 2012 to €137.0 million for the year ended December 31, 2013, partly offset by a decrease of 2.8% in telephony usage revenues from €179.7 million for the year ended December 31, 2012 to €174.8 million for the year ended December 31, 2013. The increase in subscription revenues was primarily the result of an increase in the number of telephony subscribers from 1.46 million at December 31, 2012 to 1.57 million subscribers at December 31, 2013, primarily due to an increased number of subscriptions to our All-in-1 bundle. Excluding interconnection revenues, revenues from telephony usage were flat. Enacted by the ACM, interconnection rates were reduced by approximately 20% at August 1, 2012, negatively affecting revenue in 2012 by approximately €5 million. A 6.9% increase in the number of telephony subscribers was more than offset by a lower ARPU for telephony usage, as more subscribers selected a flat-fee subscription for calls within the Netherlands and several foreign countries. The lower ARPU for telephony was also attributable to a higher share of free on-net calls following growth in the number of telephony subscribers. When a Ziggo telephony customer makes a fixed-line call to another Ziggo telephony customer, the call qualifies as on-net, with no costs being charged as a result. Both trends resulted in a higher percentage of non-billable calling minutes compared with the previous year, as well as an overall decline in average telephony usage per fixed-line telephony subscriber.

Total call minutes excluding interconnection decreased by 1.0% compared to 2012. On-net calling grew by 4.5%, with the number of billable minutes declining by almost 9.4% as a result of growth in on-net calling and growth in the number of flat-fee subscriptions by 13%. Average call minutes per subscriber declined by 8.4%. The gross margin on telephony usage improved by over 2.3%, supported by reduced FTA rates.

Out-of-home revenues. As we introduced mobile voice and data services to our service offerings in September 2013 we generated total out-of-home revenues of €0.5 million for the year ended December 31, 2013.

Revenues from other sources. Revenues from other sources decreased by €15.7 million, or 33.0%, to €31.8 million for the year ended December 31, 2013 from €47.5 million for the year ended December 31, 2012. Part of this decline was the result of accounting for costs of tablets, which are provided to new subscribers to All-in-1 or our dual-play proposition TV plus internet with a one-year contract. The costs of these tablets are deferred and allocated as a discount for the contract period to other revenues, rather than being expensed. This resulted in a discount as a result of deferred tablet costs of €3.2 million during 2013. Excluding this adjustment, revenues from other sources decreased by €12.5 million, or 26.2%. Although we shipped a higher number of set top boxes, we recorded a decline in revenues due to a lower average sales price per set top box and the capitalization of set top boxes covered by a subscription period of 12 months for which the ownership of the set top boxes remains with Ziggo.

Business services revenues. Business services revenues increased by €36.1 million to €141.7 million for the year ended December 31, 2013 from €105.6 million for the year ended December 31, 2012, or by 34.2%. This was the result of strong growth in revenues from subscriptions to business bundles and the acquisition and consolidation of Esprit Telecom effective May 1, 2013. Excluding Esprit Telecom, revenues grew organically by 10.3%. In 2013, Ziggo added almost 18,000 new subscribers to its main B2B bundles products Internet Plus, Office Basis and Office Plus bundle, reaching a total of over 54,800 subscribers by December 31, 2013. Total revenues from coaxial products TOM and TOMi, our collective TV contracts, and business bundles for the year grew by over 37% compared to 2012 to €48.9 million, representing 42.0% of total B2B revenues (2012 – 33.7%), excluding revenues from Esprit Telecom.

Cost of goods sold. During the year ended December 31, 2013, cost of goods sold decreased to €289.1 million, down 1.8% from the year ended December 31, 2012. Our gross margin during the year ended December 31, 2013 was 81.5% of revenue versus 80.8% of revenue during the previous year. Excluding the acquisition of Esprit Telecom (2013 COGS of €15.5 million), which has been consolidated since May 1, 2013 cost of goods sold would have declined by 7.1% and the gross margin would have been 82.2% for 2013.

Margin improvement was mainly the result of higher gross margins on internet, telephony and business services (excluding Esprit Telecom) and a lower negative margin contribution realized on the sale of set top boxes. The lower negative margin contribution from the sales of set top boxes is the result of a lower volume of set top boxes recognized as sales (233,000 in 2013 versus 279,000 in 2012, and 16,000 CI+ modules in 2013 versus 25,000 in 2012) at a lower negative margin contribution per set top box. A lower average sales price during the year compared to 2012 was more than offset by a lower average purchase price. In addition, 116,000 set top boxes were capitalized, as these boxes were provided to customers as part of our sales and retention promotions covered by a one-year contract, with the ownership of the set top boxes remaining with Ziggo. These capitalized set top boxes represented a total value of €14.9 million in 2013.

Personnel expenses. Personnel expenses increased by 0.8% from €187.4 million during the year ended December 31, 2012 to €189.0 million during the year ended December 31, 2013. Excluding Esprit Telecom (€4.3 million) costs which have been consolidated from May 1, 2013, personnel costs decreased by 1.5%, or €2.7 million. Although headcount increased by 7.7%, excluding Esprit Telecom, and average salary costs increased by 3.3%, the resulting increase in personnel expenses was offset by higher capitalized personnel costs and a reduction of accrued bonuses by approximately €4.8 million as Company targets were only partially achieved. The increase in average salary costs was driven by both discretionary individual salary increases and a general salary increase in line with the collective labour agreement, including an increased employer’s contribution to the pension premium, which was partly offset by a decrease in employer charges for social securities. The increase in headcount was predominantly the result of an increase in the number of external resources, an increase that was more than offset by an increase in capitalized personnel costs of approximately €29.5 million, or 52%. The increased headcount is the result of an increase in external personnel hired for projects relating to investments in innovation and in our core infrastructure and service platforms, facilitating the addition of new services such as mobility and converged services and TV Everywhere.

Contracted work. Costs of contracted work increased by 12.9% from €50.9 million during the year ended December 31, 2012 to €57.5 million during the year ended December 31, 2013. Excluding Esprit Telecom, contracted work increased by 12.8% compared to 2012. This increase was mainly driven by higher costs of our external call centres and costs of customer maintenance & visits. As a result of a strong growth in RGUs in the second half of 2013 and the roll-out of Ziggo WifiSpots, call volumes rose by approximately 5% compared to 2012. In combination with an increase in the average handling time of approximately 23% and a relatively higher percentage of the call volume being outsourced, external call centre costs and costs of customer maintenance and visits rose by almost 30%. Consultancy costs and costs of maintenance of network and technology were stable. The higher costs of our external call centres and customer maintenance and visits was partly offset by lower consultancy costs. Costs of maintenance of our network and technology rose slightly compared to 2012 as a result of an increase in the capacity of our infrastructure, as well as rising maintenance costs following investments in our core infrastructure and associated systems that facilitated the addition of new services, such as mobility and TV Everywhere.

Materials and logistics. Material and logistics expenses decreased by €0.7 million to €3.0 million for the year ended December 31, 2013 from €3.8 million for the year ended December 31, 2012.

Marketing and sales. Marketing and sales expenses increased by €16.4 million, or 27.0%, to €76.9 million for the year ended December 31, 2013 from €60.5 million for the year ended December 31, 2012. This increase was mainly driven by higher costs of the All-in-1 campaigns, higher costs regarding Ziggo Mobile and costs for retention campaigns driven by the FTTH counter campaigns.

Office expenses. Office expenses decreased by 0.9% from €53.9 million during the year ended December 31, 2012 to €54.3 million during the year ended December 31, 2013. Excluding Esprit Telecom, office expenses decreased by 2.0% compared to 2012 to €52.8 million. Costs of housing and sites increased by almost 1.6% as a result of the opening of a new data centre in the third quarter to support the new IT infrastructure and service platforms, facilitating the addition of new services such as mobility and converged services and TV Everywhere. Investments in innovations for our converged platform and business applications resulted in additional license and maintenance costs on top of recurring costs of existing IT business applications. The increase was more than offset by a refund of energy tax for prior years and an increase in coverage of office expenses and office IT as a result of the increase in the headcount and hours capitalized. Excluding the coverage of office expenses and the refund of energy tax, office expenses increased by 4.6%.

Other operating expenses. Other operating expenses increased by €3.2 million to €8.3 million for the year ended December 31, 2013 from €5.1 million for the year ended December 31, 2012. Excluding Esprit Telecom, other operating expenses increased by €3.0 million or 59.3% to €8.1 million, mainly as a result of a release relating to the provision for bad debts in 2012 due to improved quality and aging of our trade accounts receivable at the time. Other expenses also include the proceeds and gain of €6.9 million from the sale of our transmission towers and an impairment charge of €6.5 million. This impairment charge was due to our decision to replace certain components of a project to build our new video platform. Moreover, management fees increased by €1.2 million, which has been charged to Ziggo by Ziggo N.V. for services rendered by the members of the Board of Management of Ziggo N.V. as a result of the fact that the last management fee was charged from the first quarter of 2012.

Amortisation and impairments. Amortisation and impairments decreased by €4.3 million, or 15.1%, from €28.4 million in the year ended December 31, 2012 to €24.1 million in the year ended December 31, 2013. Amortisation on software decreased as a result of high historical investments during the merger of regional operators Casema, Multikabel and @Home in Ziggo, which had led to relatively high amortisation charges in previous years.

Depreciation and impairments. Depreciation and impairments increased by €2.4 million, or 0.9%, from €250.7 million in the year ended December 31, 2012 to €253.1 million in the year ended December 31, 2013. This increase was the result of increasing capital investments in our core systems in the previous years to enable the provision of new services to our customers.

Operating income. Operating income increased €8.7 million, or 1.5%, to €610.5 million for the year ended December 31, 2013 from €601.8 million for the year ended December 31, 2012. Excluding the acquisition of Esprit Telecom, operating income increased by 0.9% to €607.0 million due to the increase in EBITDA of 0.8% and lower depreciation and amortisation expenses.

Net financial expenses. Net financial expenses decreased by €10.3 million, or 4.4%, to an expense of €222.3 million for the year ended December 31, 2013 from an expense of €232.6 million for the year ended December 31, 2012.

Interest income and expenses. Interest income and expenses decreased by €8.2 million, or 4.0%, to €199.1 million for the year ended December 31, 2013 from €207.3 million for the year ended December 31, 2012. In 2013, €12.6 million was allocated as borrowing costs to work in progress, resulting in an interest credit, compared to €10.4 million in 2012. Excluding borrowing costs, interest costs decreased by 2.8% or €6.1 million. A reduction in our average debt by approximately €160 million lowered our interest expenses compared to 2012. The blended interest rate for 2013 was 6.9% versus approximately 6.8% for 2012.

Banking and financing fees. Banking and financing fees, including commitment fees, increased to €1.4 million for the year ended December 31, 2013 from €1.0 million for the year ended December 31, 2012. This increase is mainly attributable to the new revolving credit facility of €400 million, which was put into place in March 2013, replacing a revolving credit facility of €50 million.

Amortisation of funding costs. The amortization of funding costs increased to €51.0 million for the year ended December 31, 2013 from €13.2 million for the year ended December 31, 2012. As a result of the refinancing of the old €1.1 billion senior credit facility in March 2013, we impaired the remaining balance of the capitalized financing costs of €42.7 million related to this old senior credit facility. The total financing fees of €12.7 million relating to the new €750 million 3.625% senior secured notes issue, the new €150 million term loan A and the new €400 million revolving credit facility, were capitalized and will be amortized over the terms of the senior secured notes, the term loan and revolving credit facility.

Other income (i.e., fair value gains and losses on interest rate swaps). We recognized a fair value loss on interest rate swaps of €10.8 million for the year ended December 31, 2012 versus a fair value gain of €29.1 million for the year ended December 31, 2013 due to the periodic amortisation of our negative hedge reserve of €4.6 million, a fair value gain on IRS contracts of €33.7 million as a result of shortened expiration periods of underlying hedges and an increase in the underlying interest. A foreign exchange gain on US dollar-denominated purchases of €0.2 million was recognised in 2013.

Net result from joint ventures and associates (after tax). The €9.1 million net loss from joint ventures predominantly relates to our 50% share in the results of HBO NL, our joint venture with HBO. Investments in and results from the joint venture are accounted for using the equity method. Our share in the funding of this joint venture amounts to approximately €7.9 million in 2013.

Income tax benefit (expense). Income tax expense decreased by €62.2 million to an expense of €30.1 million for the year ended December 31, 2013 from an expense of €92.3 million for the year ended December 31, 2012. Higher operating income, combined with reduced interest costs, partly offset by the impairment of capitalized financing costs, resulted in a strong increase in the result before income taxes to €388.2 million, compared to €369.1 million for the prior year. The result before income taxes of €388.2 million would have led to a corporate income tax charge of €97.1 million at an effective tax rate of 25%, however, we formalized an agreement with the Dutch tax authorities in the first quarter of 2013 regarding the innovation box, which will reduce the effective tax rate going forward, as well as reducing it retrospectively for the period 2010 to 2012.

The innovation box is a tax facility under Dutch corporate income tax law, which taxes profits attributable to innovation at an effective tax rate of 5% instead of the statutory rate of 25%. The application of the innovation box resulted in a one-off benefit of €35.1 million reflecting the period 2010 to 2012, as well as reducing corporate income tax charges for 2013 by €31.9 million.

Net result. As a result of the foregoing, the net result amounted to a profit of €349.0 million for the year ended December 31, 2013 from a profit of €267.4 million for the year ended December 31, 2012, an increase of €81.6 million.

Liquidity and Capital Resources

We maintain cash and cash equivalents to fund the day-to-day requirements of our business. We hold cash and cash equivalents primarily in euros. Historically, we have relied primarily upon bank borrowings under the Existing Credit Facility and cash flow from operations to provide funds required for acquisitions and operations.

Our principal source of liquidity on an on-going basis has been, and will be, our operating cash flows and borrowings under the new revolving credit facilities.

Our ability to generate cash from our operations will depend on our future operating performance, which is in turn dependent, to some extent, on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond our control.

At December 31, 2014, we had €26.8 million in cash and cash equivalents and €4,710.3 million of carrying amount of debt under the existing credit facilities, the 2020 Notes, and the New 2024 Notes resulting in a net debt position of €4,683.5 million.

The net result for the year 2014 is a loss. The Company does not expect the loss to have an impact on the continuity of the Company as sufficient operational cash flows are generated by our activities to meet the Company’s obligations in the foreseeable future.

Overview of Financing Instruments

As of December 31, 2014, our indebtedness consisted of the following:

- €743.1 million aggregate principal amount of 2024 Notes;
- €71.7 million aggregate principal amount of the 2020 Notes; and
- €2,000 million and $2,350 million outstanding under the Credit Facilities.

We believe that our operating cash flows will be sufficient to fund our working capital requirements, anticipated capital expenditures and debt service requirements as they become due for the next twelve months following the date of this annual report.

We may in the future acquire the Notes in open market purchases, individually negotiated transactions or otherwise, or enter into certain other financing transactions.

Cash Flow

The table below summarizes our consolidated cash flow for the years ended December 31, 2012, 2013 and 2014.

	For the year ended December 31,		
	2014	2013	2012
	(€ in thousands)		
Cash flow from operating activities................................	822,021	667,664	973,995
Cash flow used in investing activities.............................	(386,460)	(366,145)	(292,335)
Cash flow used in financing activities	(485,899)	(316,725)	(701,931)
Net decrease in cash and cash equivalents	**(50,338)**	**(15,206)**	**(20,271)**

Cash flow from operating activities. Cash flow from operating activities increased by €154.4 million from a cash inflow of €667.7 million for the year ended December 31, 2013 to a cash inflow of €822.0 million for the year ended December 31, 2014. This increase was primarily driven by a change in working capital excluding accrued interest. At December 31, 2013, this change in working capital amounted to (€215.9 million) compared to a change in working capital at December 31, 2014 of €5.7 million. This is mainly the result of the settlement of the intracompany current account position of our company to Ziggo N.V. in conjunction with the dividend distribution by Ziggo N.V in 2013.

Cash flow from operating activities decreased by €306.3 million from a cash inflow of €974.0 million for the year ended December 31, 2012 to a cash inflow of €667.7 million for the year ended December 31, 2013. This decrease was primarily driven by a cash outflow of €215.9 million as a result of the increase in working capital excluding accrued interest in 2013, versus a €94.1 million cash inflow from a decrease in working capital excluding accrued interest in 2012, partly offset by an increase in EBITDA of €6.8 million. The increase in working capital excluding accrued interest in 2013 compared to the decrease in working capital excluding accrued interest in 2012 is mainly explained by a settlement of the intracompany current account position with Ziggo N.V. in an amount of €167.9 million in conjunction with the dividend distribution by Ziggo N.V. Additionally, whereas changes in inventories, trade accounts receivable and other current assets led to a cash inflow in 2012 of €13.7 million, these led to changes to a cash outflow in 2013 of €56.2 million.

Cash flow used in investing activities. Cash flow used in investing activities increased by €20.3 million from a cash outflow of €366.1 million for the year ended December 31, 2013 to a cash outflow of €386.5 million for the year ended December 31, 2014. Excluding acquisition capital expenditures related to our acquisition of Esprit Telecom, cash flow used in investing activities increased by €35.5 million, or 9.7%, from €351.0 million for year ended December 31, 2013 to €386.5 million for the year ended December 31, 2014. The increase of €35.5 million compared to the corresponding period in 2013, was mainly driven by investments in core infrastructure and associated systems and the replacement of certain legacy systems that facilitated the addition and continued expansion of services, such as mobility and TV Everywhere, and the capitalization of set-top boxes. Beginning in 2013, the Company offers customers a choice in the duration of their contracts. To customers with a one-year contracts or longer, we provide a set-top box as part of the contract and capitalize the cost of set-top boxes and depreciate these boxes over a two-year period.

Cash flow used in investing activities increased by €73.8 million from a cash outflow of €292.3 million for the year ended December 31, 2012 to a cash outflow of €366.1 million for the year ended December 31, 2013. Excluding acquisition capital expenditures related to our acquisition of Esprit Telecom, capital expenditures increased by €58.6 million or 20.1% from €292.3 million for the year ended December 31, 2012 to €351.0 million for the year ended December 31, 2013. The increase of €58.6 million compared to 2012 was mainly driven by investments in core infrastructure and associated systems that facilitated the addition of new services such as mobility and TV Everywhere. Investments in network capacity grew by €26.9 million or 22.4% compared to 2012, mainly due to the additional capacity required to accommodate an approximately 40% annual increase in internet traffic. The increase in investments for customer installations in 2013 compared to 2012 is predominantly due to the capitalization of set top boxes, partly offset by a lower number of modems installed at customer premises.

For additional information on our capital expenditures, please see “Capital Expenditures” below.

Cash flow used in financing activities. Cash flow used in financing activities increased by €169.2 million from a cash outflow of €316.7 million for the year ended December 31, 2013 to a cash outflow of €485.9 million for the year ended December 31, 2014. Excluding the impact of the dividend of €202.1 million, which was paid in two installments in April and September of 2013, the cash flow used in financing activities increased by €371.3 million. This increase resulted from closing cost on new facilities and the unwinding of swap contracts of €48.4 million.

Following the announcement of the intended offer from Liberty Global in January 27, 2014, we refinanced or amended the majority of our existing credit facilities, term loans, Senior Notes in February and March 2014. The proceeds of newly issued term loans B1, B2, B3 and B4 of €3,772.8 million were used to repay an amount of €3,042.1 million of existing facilities.

Cash flow used in financing activities decreased by €385.2 million from a cash outflow of €701.9 million for the year ended December 31, 2012 to a cash outflow of €316.7 million for the year ended December 31, 2013. The main reason for this decrease is a repayment of our loans in 2012 to bring down our net debt, whereas in 2013 we had reached our targeted leverage rate. Interest paid during the year ended December 31, 2013 decreased by €27.1 million from €217.9 million in 2012 to €190.8 million in 2013, as a result of a reduction of the average net debt outstanding in 2013 compared to 2012. At the end of 2013, accrued interest was €38.8 million compared to €18.0 million at the end of 2012.

Other Obligations

We have obligations under defined benefit and defined contribution pension schemes. Our cash outflow from these obligations will vary depending on a number of factors. Payments to these pension schemes are recognized in the consolidated statement of income under personnel expenses as employee benefit expenses when they are due. In the years ended December 31, 2012, 2013 and 2014 these expenses amounted to €18.1 million, €20.4 million and €20.6 million, respectively. For more information, see note 6 of our consolidated financial statements included in this annual report.

During the years ended December 31, 2012, 2013 and 2014, we provided guarantees to unrelated parties in an amount of €3.9 million, €3.9 million and €1.6 million, respectively.

Capital Expenditures

Our capital expenditures relates primarily to the purchase of property and equipment, including expansion of the network in terms of capacity, new homes connected, growth in RGUs, maintenance of our network and infrastructure, purchase of intangible assets such as software, investments in our core infrastructure and systems and the replacement of certain legacy systems to facilitate the addition and continued expansion of services such as mobility and TV Everywhere and acquisitions. Therefore, capital expenditures are primarily driven by extending, upgrading and maintaining our network, the installation and in-home wiring for new subscribers, and the cost of set-top boxes and cable modems, including high-speed modems for subscribers to our high-speed broadband internet service. Our capital expenditures have also historically included the integration costs of our predecessor businesses.

In the year ended December 31, 2014, we rolled out approximately 435,000 high-speed modems to existing and new customers which were also WiFi enabled. Each WiFi enable high-speed modem costs us in the range of €65 to €75 per modem. The costs of the cable modems and WiFi enabled high speed modems are depreciated over a useful life of three years. At December 31, 2014, approximately 2.0 million high speed modems were activated on our network, of which 1.3 million were WiFi enabled.

Capital expenditures also include increased investment in intangible assets (except our customer list), excluding financial assets. As part of our strategy to focus capital expenditures in areas in which we will achieve appropriate returns on investment, we have instituted measures to ensure a more efficient usage of capital investment. We intend to manage capital expenditures to maintain our well-invested asset base. Our Board of Management reviews all existing capital expenditure programs and plans and reviews and approves future programs.

The table below sets forth our capital expenditures and our capital expenditures ratio (as defined below) for the years ended December 31, 2012, 2013 and 2014.

	For the year ended December 31,		
	2014	2013	2012
	(€ in millions, except percentages)		
Capital Expenditures:			
Non-integration capital expenditures	368.1	342.6	279.7
Integration capital expenditures	10.8	—	—
Acquisition capital expenditures	—	15.2	—
Total capital expenditures	**378.9**	**357.8**	**279.7**
Capital expenditures ratio (1)	22.9 %	21.9%	18.2 %

(1) Capital expenditures ratio represents non-integration capital expenditures as a percentage of total revenues.

In the year ended December 31, 2014, total capital expenditures were €378.9 million, an increase of €36.3 million from €342.6 million in the year ended December 31, 2013. Excluding integration and acquisition capital expenditures, capital expenditures increased by €25.5 million, or 7.4% from €342.6 million for the year ended December 31, 2013 to €368.1 million for the year ended December 31, 2014. The increase of €25.5 million compared to the corresponding period in 2013 was driven by capital expenditure investments in core systems and the capitalization of set-top boxes. Capital expenditures related to investments in network growth declined by 5.2%. The increase in capital expenditures for customer installations compared to the corresponding period in 2013, is predominantly due to increased number of set top boxes capitalized and the strong uptake in broadband internet subscriptions, as a result of successful marketing and sales campaigns during 2014. During the year ended December 31, 2014, we shipped a total of 435,000 dual-band WiFi-enabled EuroDocsis 3.0 modems to new All-in-1 and broadband internet subscribers and to upgraded existing customers.

In the year ended December 31, 2013, total capital expenditures were €357.8 million, an increase of €78.1 million from €279.7 million in the year ended December 31, 2012. Excluding integration and acquisition capital expenditures, capital expenditures increased by €62.9 million, or 22.5%, from €279.7 million for the year ended December 31, 2012 to €342.6 million for the year ended December 31, 2013. The increase of €62.9 million compared to 2012 was mainly driven by capital investment in our core infrastructure and systems to facilitate the addition and the continued expansion of services such as mobility and TV Everywhere. Capital investments in network capacity grew by 22.4% compared to 2012, mainly due to the additional capacity required to process an approximately 40% annual increase in internet traffic. The increase in capital investment in customer installations compared to 2012 of 19.2%, is predominantly due to the capitalization of set top boxes and the number of modems installed at customer premises.

Off-Balance Sheet Arrangements

We are not a party to any off-balance sheet arrangements that have, or are reasonably likely to have, a current or future material effect on our consolidated financial condition, results of operations, liquidity, capital expenditures or capital resources, except with respect to our interest rate swaps and forward currency contracts.

Quantitative and Qualitative Disclosures about Market Risk

In the ordinary course of our business, we are exposed to market risk arising from fluctuations in interest rates. To manage this risk effectively, we have in the past and expect to continue to enter into interest rate swap transactions and use derivative financial instruments, pursuant to established internal guidelines and policies, to mitigate the adverse effects of this risk. We do not enter into financial instruments for trading or speculative purposes.

We manage our exposure to interest rate risk and overall financing costs by entering into interest rate swap agreements. At December 31, 2014, we have limited our exposure from our floating rate debt as well as the currency exposure related to our US dollar denominated debt. Changes in the fair value of derivatives are recorded in the consolidated statement of income for each respective period.

Following the refinancing and amendment of certain credit facilities, notes and term loans after the announcement of the intended offer by Liberty Global on Ziggo on January 27, 2014, we have fully unwound the interest rate swaps associated with the floating rate debt we had in place prior to the refinancing in the first quarter of 2014. In connection with the new Senior Credit Facilities, which became effective in February 2014, we entered into new interest rate swaps and cross currency swaps to limit our exposure to interest rates and the

U.S. dollar fluctuations. These interest rate swaps of €1,566 million and cross currency swaps of $2,350 million have maturity dates of January 15, 2022, similar to the maturity date of the associated Senior Credit Facilities.

Critical Accounting Policies

The financial information included in consolidated financial statements have been prepared and presented in accordance with IFRS and with Part 9 of Book 2 of the Dutch Civil Code. Please see "Presentation of Financial and Other Information and Certain Definitions—Presentation of Financial Information" and note 3 to our consolidated financial statements included in this annual report.

The preparation of consolidated financial statements requires our management to make a number of estimates and assumptions. These estimates and assumptions affect the reported amounts of assets and liabilities, of revenues and expenses and the disclosure of contingent assets and liabilities. All assumptions, expectations and forecasts used as a basis for certain estimates within our financial statements represent good-faith assessments of our future performance for which our management believes there is a reasonable basis.

These estimates and assumptions represent our view at the times they are made, and only then. They involve risks, uncertainties and other factors that could cause our actual future results, performance and achievements to differ materially from those forecasted. The estimates and assumptions that may have a risk of causing a material adjustment to the carrying amounts of assets and liabilities within the next financial year are described below. We have discussed the development and selection of these critical accounting policies and estimates with our independent auditors.

Purchase Price Allocation

We applied purchase price allocation in accordance with IFRS 3 "Business Combinations" in several past acquisitions. The fair values allocated to the individual identified assets are based on management's estimates of the replacement value of the assets. The intangibles are valued using management's estimates of our future cash flows and operating results.

Impairment of Goodwill

We determine whether goodwill needs to be impaired at least on an annual basis. This requires an estimation of the "value in use" of the cash-generating units to which the goodwill is allocated. Estimating a value in use requires management to make an estimate of the expected future cash flows from the cash-generating units and also to choose a suitable discount rate in order to calculate the present value of those cash flows.

Deferred Tax Assets

Deferred tax assets are recognized for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilized. Significant management judgment is required to determine the amount of deferred tax assets that can be recognized, based upon the likely timing and level of future taxable profits together with future tax planning strategies.

Fair Value of Financial Instruments

Where the fair value of financial assets or financial liabilities cannot be derived from active markets, it is determined using other valuation techniques such as the discounted cash flows model. The inputs to these models are taken from observable markets where possible, but where this is not feasible, a degree of judgment is required in establishing fair values. The judgments include considerations of factors such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

Other Long-Term Employee Benefits

The calculation of other long term employee benefits, along with the related net periodic benefit costs for the periods presented, requires management to estimate, among other things, employee benefits claims, future benefit levels and appropriate discount rates. Due to the long-term nature of these plans, such estimates are subject to considerable uncertainties and may require adjustments in future periods, which can affect future liabilities and expenses.

Provision for Legal Proceedings and Other Provisions

We are party to a number of legal proceedings arising out of business operations. Such legal proceedings are subject to inherent uncertainties. Where appropriate and where supported by internal and external legal counsels, management determines whether it is more likely than not that an outflow of resources will be required to settle an obligation. If management determines an outflow of resources is required, and a reliable estimate of that outflow can be made, a provision is recognized for the best estimate of the expenditures required to settle the obligation.

In addition, we have obligations related to leasehold improvements and returns for customer premises equipment, such as modems. Such obligations must also be estimated.

All the assumptions, anticipations, expectations and forecasts used as a basis for such estimates represent good-faith assessments of our future performance for which management believes there is a reasonable basis. These estimates represent management's view at the times they are made, and only then. They involve risks, uncertainties and other factors that could cause our future results, performance and achievements to differ materially from those forecasted.

Treatment of Customer Lists

Customer lists, which are initially measured at fair value, were recognized as an asset with an indefinite life in 2012. In the first quarter of 2011, management concluded it was no longer able to estimate the useful life of the customer relationships as a result of low attrition rates and increased number of products per active connection, and consequently assessed it to be indefinite. The change was accounted for prospectively as from April 1, 2011 as a change in accounting estimates.

For determining the fair value at acquisition date the asset identified as customer relationships contains two components, that are closely related:

1. The "Access Right", representing the license to operate, maintain, update and expand the network. This ensures that the respective customers can be serviced through the cable-related assets;
2. The "Active Clients", representing the active customer base at the moment of acquisition.

As of Q2 2014 Ziggo has separated the carrying amount of the two components within the intangible asset that was previously presented as customer relationships based on relative fair values. Based on analysis of available data and taking into consideration current market circumstances, Ziggo is now able to estimate the remaining useful life of these intangible assets as the assessment showed a foreseeable limit to the period over which the asset is expected to generate net cash inflows. Based on this assessment the useful life of Active Clients is estimated at 14 years and the useful life for the Access Rights at 30 years. Based on the assessment no impairment needs to be recognized regarding the carrying amount of these assets and the company started amortizing these assets on this basis as from April 1, 2014. This results in an annual amortization charge of €120 million to reflect the remaining useful lives of 7 and 23 years, respectively, for Active Clients and Access Right. Our company accounts for the amortization charges as of the second quarter of 2014 prospectively as a change in an accounting estimate.

SUPPLEMENTAL

FINANCIAL INFORMATION

(unaudited)

Ziggo Group Holding B.V.
2014 Pro Forma U.S. GAAP Condensed Combined Balance Sheet and
Condensed Combined Statement of Operations
(unaudited)

The accompanying condensed pro forma financial information has not been prepared in accordance with the requirements of Article 11 of Regulation S-X of the U.S. Securities Act. Although we have used U.S. GAAP as the basis in preparing the unaudited condensed pro forma financial information, such pro forma financial information has not been prepared in accordance with the requirements of any generally accepted accounting standards. The accompanying unaudited condensed pro forma combined balance sheet as of December 31, 2014 gives effect to the impacts of the combination of UPC Nederland and Ziggo pursuant to the Ziggo Group Holding Transaction and related financing transactions, as defined and described in note 12 to the consolidated financial statements of UPC Nederland, as if it had occurred on such date. The accompanying unaudited condensed pro forma combined statement of operations for the year ended December 31, 2014 gives effect to (i) the impacts of the November 11, 2014 acquisition of Ziggo by another subsidiary of Liberty Global and the related financing transactions, (ii) the Ziggo Group Holding Transaction and related financing transactions and (iii) the net increase to related-party fees and allocations resulting from the Ziggo Group Holding Transaction, as if they had occurred on January 1, 2014. These pro forma amounts are not necessarily indicative of the operating results that would have occurred if these transactions had occurred on January 1, 2014. The pro forma adjustments are based on certain assumptions that we believe are reasonable and do not include certain non-recurring adjustments directly related to the Ziggo Group Holding Transaction. For additional information, see notes 1 and 12 to the consolidated financial statements of UPC Nederland.

Ziggo Group Holding B.V.
U.S. GAAP Condensed Pro Forma Combined Balance Sheet
(unaudited)

		December 31, 2014
		in millions
Current assets:		
Cash and cash equivalents	€	31.8
Trade receivables and other current assets		148.3
Total current assets		180.1
Property and equipment, net		2,971.6
Goodwill		7,111.8
Intangible assets subject to amortization, net		3,968.7
Loans receivable - related-party		2,500.1
Other assets, net		621.0
Total assets	€	17,353.3
Current liabilities:		
Current portion of long-term debt	€	17.6
Other current liabilities		833.5
Total current liabilities		851.1
Long-term debt and capital lease obligations:		
Third-party		7,003.3
Related-party		5,609.2
Other noncurrent liabilities		1,367.9
Total liabilities		14,831.5
Parent's equity - contributions and accumulated earnings in excess of distributions		2,521.8
Total liabilities and parent's equity	€	17,353.3

Ziggo Group Holding B.V.
U.S. GAAP Condensed Pro Forma Combined Statement of Operations
(unaudited)

	Year ended December 31, 2014
	in millions
Revenue	€ 2,534.6
Operating costs and expenses:	
Operating, selling, general and administrative expenses (including share-based compensation)	1,145.6
Related-party fees and allocations	168.2
Depreciation and amortization	951.5
Impairment, restructuring and other operating items, net	155.6
	2,420.9
Operating income	113.7
Non-operating income (expense):	
Interest expense:	
Third-party	(263.7)
Related-party	(259.1)
Interest income - related-party	63.9
Realized and unrealized losses on derivative instruments, net	(227.5)
Other expense, net	(275.1)
	(961.5)
Loss before income taxes	(847.8)
Income tax benefit	205.2
Net loss	€ (642.6)

Ziggo Group Holding B.V.

Additional Supplemental U.S. GAAP Pro Forma Information
(unaudited)

	Three months ended				Year ended
	March 31,	June 30,	September 30,	December 31,	December 31,
	2014				
	in millions				
Revenue	€ 627.5	€ 637.3	€ 631.5	€ 638.3	€ 2,534.6
Operating cash flow	€ 341.3	€ 355.7	€ 357.1	€ 341.3	€ 1,395.4
Property and equipment additions	€ 135.9	€ 133.8	€ 127.5	€ 141.8	€ 539.0
Operating cash flow margin	54.4%	55.8%	56.5%	53.5%	55.1%
Property and equipment additions as a percentage of revenue	21.7%	21.0%	20.2%	22.2%	21.3%

Reconciliation of U.S. GAAP Pro Forma Operating Cash Flow to U.S. GAAP Pro Forma Operating Income (Loss)
(unaudited)

	Three months ended				Year ended
	March 31,	June 30,	September 30,	December 31,	December 31,
	2014				
	in millions				
Operating cash flow	€ 341.3	€ 355.7	€ 357.1	€ 341.3	€ 1,395.4
Share-based compensation expense	(0.3)	(0.1)	(0.1)	(5.9)	(6.4)
Related-party fees and allocations	(36.0)	(38.1)	(39.3)	(54.8)	(168.2)
Depreciation and amortization	(235.4)	(236.3)	(235.3)	(244.5)	(951.5)
Impairment, restructuring and other operating items, net	(1.7)	(0.4)	(6.7)	(146.8)	(155.6)
Operating income (loss)	€ 67.9	€ 80.8	€ 75.7	€ (110.7)	€ 113.7