

# VodafoneZiggo Reports Preliminary Q1 2017 Results

## Fixed Business Stable, Competition Increasing in Mobile

**Utrecht, the Netherlands** — May 7, 2017: VodafoneZiggo Group B.V. ("VodafoneZiggo"), a leading Dutch company that provides fixed, mobile and integrated communication and entertainment services to consumers and businesses, is today providing select, preliminary unaudited financial and operating information for the three months ended March 31, 2017 ("Q1"), as compared to the pro forma<sup>1</sup> results for the same period in the prior year (unless otherwise noted). The financial and operating information contained herein is preliminary and subject to change. We expect to issue the March 31, 2017 unaudited condensed consolidated financial statements prior to the end of May 2017, at which time the report will be posted to our website.

VodafoneZiggo is a wholly-owned subsidiary of VodafoneZiggo Group Holding B.V. ("VodafoneZiggo JV"), a 50:50 joint venture between Vodafone Group Plc ("Vodafone") and Liberty Global plc ("Liberty Global") that was formed on December 31, 2016 when Liberty Global and Vodafone contributed their respective cable and mobile operations in the Netherlands to the VodafoneZiggo JV (the "JV Transaction"). As the entity contributed to the VodafoneZiggo JV by Liberty Global is considered to be the predecessor of VodafoneZiggo for financial reporting purposes, the historical consolidated financial statements for VodafoneZiggo do not include Vodafone's mobile operations for periods prior to December 31, 2016. In order to provide meaningful comparisons, the preliminary financial and operating information presented herein for the 2016 period is presented on a pro forma basis that gives effect to, among other items, the inclusion of the financial and operating information of Vodafone Libertel B.V., excluding Vodafone Thuis ("Vodafone NL"), as of and for the three months ended March 31, 2016. For additional information regarding the JV Transaction and the pro forma adjustments applied to the 2016 period, see note 1.

### VodafoneZiggo highlights for Q1 2017:

- Total pro forma revenue decline of 2%; €6 million of the decline due to impact of mobile regulation
- Stable fixed-line pro forma revenue and lower fixed RGU<sup>2</sup> attrition in Q1; loss of 5,000 in Q1 compared to 40,000 in Q1 2016
- Pro forma mobile (consumer and small office/home office ("SoHo")) revenue decline of 7% driven by increasing competition and regulation
- Pro forma B2B (fixed and mobile for medium to large enterprises)<sup>8</sup> revenue growth of 1%
- Operating income decreased 30% on a pro forma basis in Q1 2017 to €53 million
- Operating cash flow ("OCF")<sup>3</sup> decline of 6% on a pro forma basis, primarily resulting from lower revenue
- Fast start to integration creating opportunities to accelerate attainment of €210 million of annualized cost synergies, including €180 million of operating cost savings
- New convergence propositions launched in April, providing significant cross-selling opportunity
- 2017 guidance: ~€1.65 billion of OCF<sup>4</sup> and total expected cash returns of at least €500 million

**Jeroen Hoencamp, VodafoneZiggo CEO, commented:**

"VodafoneZiggo has already delivered customer benefits, with 600,000 Dutch homes enjoying our new converged propositions as a result of subscribing to both Ziggo's video services and a Vodafone mobile postpaid plan. I am pleased with the rapid progress that we are making on the integration of the two businesses, which will bring more benefits to our customers over the course of the year. However, regulatory headwinds and increased competitive intensity in mobile are likely to weigh on our revenue in the coming quarters. This was partially offset in the first quarter by a year-on-year improvement in fixed operating performance, with 11,000 broadband RGU additions, supporting the stabilization of our fixed revenue. We expect to pay to our shareholders in aggregate cash of at least €500 million during calendar 2017, reflecting our confidence in the medium-term outlook."

**VodafoneZiggo operating highlights:**

- Reported a net loss of 5,000 fixed RGUs<sup>2</sup> in Q1, an improvement compared to a loss of 40,000 RGUs in Q1 2016, reflecting higher gross additions and lower churn<sup>5</sup>, partly driven by the success of our high-value portfolio centered around Horizon TV, Ziggo Sport and superior broadband speeds
  - Added 11,000 broadband RGUs as well as 3,000 fixed-line telephony subscribers, supported by our free tablet campaign in January and subsequent 'Movies & Series XL' sales promotion
  - Video attrition improved materially year-over-year (26,000 fewer RGU losses) and represents our second best quarterly result since Q2 2014, continuing the improvement from the second half of 2016 following our investments in content and customer service
- Added 8,000 postpaid mobile subscribers in Q1, supported by our successful promotional campaigns for the Vodafone and hollandsnieuwe brands
  - Net additions were impacted by Vodafone's 2016 divestment of 'Thuis', as bundled customers are able to migrate to a new provider. Excluding this effect, Q1 postpaid net adds would have been 16,000, an improvement sequentially and year-over-year
- Delivered Horizon TV additions of 80,000 in Q1, increasing our next-generation subscribers to over 1.1 million at the end of Q1, or 29% of our total video base
  - Horizon Go (re-branded to Ziggo Go in Q1) base was up 34% year-over-year and passed the 1 million active users milestone in Q1. With the option to download on-demand content, which will be available later this year, we expect further expansion of our active user base

**VodafoneZiggo converged propositions launched:**

- VodafoneZiggo has a substantial cross-selling opportunity. At the end of the first quarter of 2017, only 25% of former Ziggo's fixed-line homes subscribed to a Vodafone mobile product. On April 3<sup>rd</sup>, VodafoneZiggo announced a 'Non Stop Gratis Extra's' converged proposition with the following benefits:
  - Video customers taking a broadband product of at least 30Mbps and a postpaid mobile subscription receive extra benefits at no incremental cost
  - Benefits include double mobile data allowance, an extra premium TV package consisting of either HBO, Ziggo Sport Total or Kids entertainment and an internet security package
  - Discount of €5 will be given for quad-play acquisition and retention purposes, providing a premium converged offer at competitive prices to new and renewing customers

- We plan to launch further converged propositions, marketed through all sales channels, later this year

### VodafoneZiggo financial highlights<sup>(a)</sup>:

- Total pro forma revenue declined 2% in Q1 to €1,018 million
  - This decline was primarily driven by a 7% pro forma decline in mobile revenue
- Q1 pro forma cable subscription<sup>6</sup> revenue remained flat year-over-year
  - On a pro forma basis, ARPU<sup>7</sup> per fixed customer increased 3% year-over-year to €46.09 in Q1, driven by (i) our July 2016 price increase partially offset by (ii) lower telephony and video-on-demand usage
- Mobile subscription<sup>6</sup> revenue (including prepaid revenue) declined by 7% on a pro forma basis in Q1, as compared to Q1 2016
  - Aggressive competition led to a lower Vodafone branded customer base; out-of-bundle revenue from roaming also declined due to the repricing of our premium Red proposition in November 2016
  - On a pro forma basis, mobile postpaid ARPU decreased 6% year-over-year to €27.45 in Q1 in part related to pressures within the SoHo segment as customers migrate to lower priced consumer products
- Q1 B2B revenue (excluding SoHo)<sup>8</sup> increased by 1% on a pro forma basis, due to 2% growth in the mobile B2B segment (~40% of total B2B), partly offset by a decline in telephony within the fixed B2B segment
- Operating income decreased 30% in Q1 to €53 million on a pro forma basis
  - The decrease primarily resulted from the pro forma decline in OCF
- OCF declined 6% to €431 million in Q1, as compared to prior-year period, on a pro forma basis
  - Decrease during Q1 is primarily due to the above mentioned revenue performance. In addition, a portion of the decline is also attributable to the net effect of (i) higher direct costs, including (a) mobile roaming costs, (b) equipment costs from higher handset sales and (c) content costs related to Ziggo Sport, and (ii) lower marketing and sales expenses
- Property and equipment additions<sup>9</sup> were 21% of revenue for Q1
  - The lower year-over-year spend was mainly due to lower capacity related spending following higher mobile network investments in the prior-year period to enhance our countrywide 4G coverage
- At March 31, 2017, our fully-swapped third-party debt borrowing cost<sup>10</sup> was 4.7% and the average tenor of our third-party debt (excluding vendor financing) was 8.5 years
  - In January, we issued (i) a \$2,525 million (€2,361 equivalent) Term Loan E due 2025 and (ii) a €2,250 Term Loan F due 2025. The proceeds were used to refinance Term Loan B, C and D, extending our tenor and reducing interest costs

a. The financial figures contained in this release are prepared in accordance with U.S. GAAP<sup>11</sup>.

- At March 31, 2017, total third-party net debt was €10.3 billion, down from €10.7 billion at December 31, 2016. During the quarter we paid total cash to our shareholders of €180 million, including interest of €28 million on €2 billion of shareholder notes and a further distribution of €152 million.
- Based on our results for the six months ended March 31, 2017, as adjusted to include the estimated Q4 2016 EBITDA of Vodafone NL, and subject to the completion of our corresponding compliance reporting requirements, (i) the ratio of Senior Net Debt to Annualized EBITDA (last two quarters annualized) was 3.69x and (ii) the ratio of Total Net Debt to Annualized EBITDA (last two quarters annualized) was 4.71x, each as calculated in accordance with our most restrictive covenants
- At March 31, 2017, we had maximum undrawn commitments of €800 million. When our Q1 compliance reporting requirements have been completed and assuming no changes from March 31, 2017 borrowing levels, we anticipate the full amount of our unused commitments will be available to be drawn

#### **VodafoneZiggo financial guidance 2017:**

- For calendar 2017, we expect to generate ~€1.65 billion of OCF, including shareholder charges and including one-time integration costs of approximately €30 million
- We expect our property and equipment additions to be in the low twenties as a percentage of our revenue for calendar 2017, including integration-related additions
- Based on our expected business performance we intend to pay at least €500 million of cash in aggregate to Liberty Global and Vodafone Group for calendar 2017. This includes the benefit of increased vendor financing efforts as well as other payments like interest and principal repayments on shareholder loans. Of note, this is in addition to the shareholder charges that we describe in our 2016 annual report

## Operating Statistics Summary

|  | As of and for the three months ended March 31, |           |
|--|--|-----------|
|  | 2017   | 2016      |
| <b>Footprint</b>   |  |           |
| Homes Passed <sup>12</sup> .....   | 7,102,700                                      | 7,036,700 |
| Two-way Homes Passed <sup>13</sup> .....   | 7,091,500                                      | 7,022,800 |
| <b>Subscribers (RGUs)<sup>2</sup></b>  |  |           |
| Basic Video <sup>14</sup> .....  | 619,300  | 736,500   |
| Enhanced Video <sup>15</sup> .....   | 3,338,200                                      | 3,307,900 |
| Total Video .....  | 3,957,500                                      | 4,044,400 |
| Internet <sup>16</sup> .....   | 3,188,600                                      | 3,108,900 |
| Telephony <sup>17</sup> .....  | 2,538,900                                      | 2,535,000 |
| Total RGUs .....   | 9,685,000                                      | 9,688,300 |
| <b>Q1 Organic RGU Net Additions (Losses)</b>                                     |  |           |
| Basic Video .....  | (17,900)                                       | (31,500)  |
| Enhanced Video .....   | (600)  | (12,600)  |
| Total Video .....  | (18,500)                                       | (44,100)  |
| Internet .....   | 11,200   | 7,500     |
| Telephony .....  | 2,700  | (3,300)   |
| Total organic RGU net losses .....   | (4,600)  | (39,900)  |
| <b>Penetration</b>   |  |           |
| Enhanced Video Subscribers as a % of Total Video Subscribers <sup>18</sup> ..... | 84.4%  | 81.8%     |
| Internet as a % of Two-way Homes Passed <sup>19</sup> .....                      | 45.0%  | 44.3%     |
| Telephony as a % of Two-way Homes Passed <sup>19</sup> .....                     | 35.8%  | 36.1%     |
| <b>Fixed Customer Relationships</b>  |  |           |
| Fixed Customer Relationships <sup>20</sup> .....                                 | 3,960,300                                      | 4,046,500 |
| RGUs per Fixed Customer Relationship .....                                       | 2.45   | 2.39      |
| Q1 Monthly ARPU per Fixed Customer Relationship <sup>7</sup> .....               | € 46.09  | € 44.88   |
| <b>Fixed Customer Bundling</b>   |  |           |
| Single-Play .....  | 19.2%  | 21.8%     |
| Double-Play .....  | 17.0%  | 16.9%     |
| Triple-Play .....  | 63.8%  | 61.3%     |
| <b>Mobile (pro forma for 2016)<sup>21</sup></b>                                  |  |           |
| Postpaid .....   | 4,066,900                                      | 4,055,600 |
| Prepaid .....  | 1,006,300                                      | 1,171,100 |
| Total Mobile .....   | 5,073,200                                      | 5,226,700 |
| Q1 organic Postpaid net additions .....  | 7,600  | 16,500    |
| Q1 organic Prepaid net losses .....  | (59,800)                                       | (25,200)  |
| Total organic Mobile net losses .....  | (52,200)                                       | (8,700)   |
| Q1 Monthly Mobile ARPU <sup>22</sup>   |  |           |
| Postpaid (including interconnect revenue) .....                                  | € 27.45  | € 29.30   |
| Prepaid (including interconnect revenue) .....                                   | € 3.18   | € 4.05    |

## Financial Results, OCF Reconciliation & Property and Equipment Additions

The following table reflects preliminary unaudited selected financial results for the three months ended March 31, 2017, as compared to the pro forma results for the three months ended March 31, 2016.

|  | Three months ended March 31, |                                | Change |
|--|------------------------------|--------------------------------|--------|
|  | 2017                         | Pro Forma <sup>1</sup><br>2016 |        |
| in millions, except % amounts                                  |                              |                                |        |
| Subscription revenue <sup>6</sup> :                            |                              |                                |        |
| Cable subscription revenue .....                               | € 547.6                      | € 547.8                        | —%     |
| Mobile subscription .....                                      | 302.0                        | 325.2                          | (7.1%) |
| Total subscription revenue .....                               | 849.6                        | 873.0                          | (2.7%) |
| B2B revenue <sup>8</sup> .....                                 | 108.3                        | 107.3                          | 0.9%   |
| Other revenue .....  | 59.7                         | 61.2                           | (2.5%) |
| Total Revenue .....  | € 1,017.6                    | € 1,041.5                      | (2.3%) |
| OCF .....  | € 431.4                      | € 458.3                        | (5.9%) |
| Operating income .....   | 53.2                         | 76.0                           |        |
| Share-based compensation expense .....                         | 2.7                          | 2.8                            |        |
| Depreciation and amortization .....                            | 375.3                        | 376.8                          |        |
| Impairment, restructuring and other operating items, net ..... | 0.2                          | 2.7                            |        |
| OCF .....  | € 431.4                      | € 458.3                        |        |
| OCF as a percentage of revenue .....                           | 42.4%                        | 44.0%                          |        |
| Operating income as a percentage of revenue .....              | 5.2%                         | 7.3%                           |        |

The table below highlights the categories of our property and equipment additions<sup>23</sup> for the indicated periods and, for the 2017 period, reconciles those additions to the capital expenditures that we present in our condensed consolidated statement of cash flows:

|   | Three months ended March 31, |                   |
|---|------------------------------|-------------------|
|   | 2017                         | Pro Forma<br>2016 |
| Customer premises equipment .....   | € 71.9                       | € 69.3            |
| New build and upgrade .....   | 17.7                         | 13.4              |
| Capacity .....  | 71.4                         | 109.4             |
| Baseline .....  | 49.7                         | 53.8              |
| Product & enablers .....  | 3.3                          | 4.6               |
| Property and equipment additions .....  | 214.0                        | € 250.5           |
| Assets acquired under capital-related vendor financing arrangements (a) ..... | (44.1)                       |                   |
| Changes in liabilities related to capital expenditures (a) .....              | (13.7)                       |                   |
| Total capital expenditures (a) <sup>24</sup> .....                            | € 156.2                      |                   |
| Property and equipment additions as a percentage of revenue .....             | 21.0%                        | 24.1%             |

(a) Amounts intentionally omitted for the 2016 period.

## Third-Party Debt and Cash

The following table details the borrowing currency and euro equivalent of the nominal amount outstanding of VodafoneZiggo's consolidated third-party debt and cash (in millions).

|   | March 31,<br>2017     |                 | December 31,<br>2016 |                 |
|---|-----------------------|-----------------|----------------------|-----------------|
|   | Borrowing<br>currency |                 | € equivalent         |                 |
| <b>Senior Credit Facilities</b>   |                       |                 |                      |                 |
| Term Loan B (LIBOR + 2.75%) USD due 2022.....                           | \$                    | 1,050.0         | € —                  | € 995.5         |
| Term Loan C (EURIBOR + 3.75%) EUR due 2024.....                         | €                     | 2,689.2         | —                    | 2,689.2         |
| Term Loan D (LIBOR + 3.00%) USD due 2024 .....                          | \$                    | 1,000.0         | —                    | 948.1           |
| Term Loan E (LIBOR + 2.75%) USD due 2025.....                           | \$                    | 2,525.0         | 2,360.5              | —               |
| Term Loan F (EURIBOR + 3.00%) EUR due 2025 .....                        | €                     | 2,250.0         | 2,250.0              | —               |
| 5.50% USD Senior Secured Proceeds Loan due 2027 .....                   | \$                    | 2,000.0         | 1,869.7              | 284.4           |
| 3.75% EUR Senior Secured Proceeds Loan due 2025 .....                   | €                     | 800.0           | 800.0                | 800.0           |
| 4.625% EUR Senior Proceeds Loan due 2025 .....                          | €                     | 400.0           | 400.0                | 400.0           |
| 5.875% USD Senior Proceeds Loan due 2025 .....                          | \$                    | 400.0           | 373.9                | 379.3           |
| €800.0 million Ziggo Revolving Facilities EUR due 2020 .....            |                       |                 | —                    | —               |
| Elimination of the Proceeds Loans in consolidation .....                |                       |                 | (3,443.6)            | (1,863.7)       |
| <b>Total Senior Credit Facilities</b> .....                             |                       |                 | <b>4,610.5</b>       | <b>4,632.8</b>  |
| <b>Senior Secured Notes</b>   |                       |                 |                      |                 |
| 3.625% EUR Senior Secured Notes due 2020 .....                          | €                     | 71.7            | 71.7                 | 71.7            |
| 3.75% EUR Senior Secured Notes due 2025 .....                           | €                     | 800.0           | 800.0                | 800.0           |
| 4.25% EUR Senior Secured Notes due 2027 .....                           | €                     | 775.0           | 775.0                | 775.0           |
| 5.50% USD Senior Secured Notes due 2027 .....                           | \$                    | 2,000.0         | 1,869.7              | 1,896.3         |
| <b>Total Senior Secured Notes</b> .....                                 |                       |                 | <b>3,516.4</b>       | <b>3,543.0</b>  |
| <b>Senior Notes</b>   |                       |                 |                      |                 |
| 7.125% EUR Senior Notes due 2024 .....                                  | €                     | 743.1           | 743.1                | 743.1           |
| 4.625% EUR Senior Notes due 2025 .....                                  | €                     | 400.0           | 400.0                | 400.0           |
| 5.875% USD Senior Notes due 2025 .....                                  | \$                    | 400.0           | 373.9                | 379.3           |
| 6.00% USD Senior Notes due 2027 .....                                   | \$                    | 625.0           | 584.3                | 592.6           |
| <b>Total Senior Notes</b> .....   |                       |                 | <b>2,101.3</b>       | <b>2,115.0</b>  |
| Vendor financing .....  |                       |                 | 316.2                | 275.3           |
| <b>Total third-party debt</b> .....                                     |                       |                 | <b>10,544.4</b>      | <b>10,566.1</b> |
| Unamortized premiums, discounts and deferred financing costs, net ..... |                       |                 | 63.2                 | 97.7            |
| <b>Total carrying amount of third-party debt</b> .....                  |                       |                 | <b>10,607.6</b>      | <b>10,663.8</b> |
| Less: cash .....  |                       |                 | 272.8                | 59.9            |
| <b>Net carrying amount of third-party debt</b> <sup>25</sup> .....      | €                     | <b>10,334.8</b> | €                    | <b>10,603.9</b> |
| Exchange rate (\$ to €) .....   |                       |                 | 1.0697               | 1.0547          |

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## About VodafoneZiggo

VodafoneZiggo is a leading Dutch company that provides fixed, mobile and integrated communication and entertainment services to consumers and businesses. As of March 31, 2017, we have more than 5 million mobile, nearly 4 million video, over 3 million fixed broadband internet and 2.5 million fixed telephony subscribers.

Approximately 8,000 people are employed by VodafoneZiggo. Our offices are located in Amsterdam, Utrecht, Maastricht, Heerhugowaard, Leeuwarden, Groningen, Zwolle, Zutphen, Nijmegen, Helmond, Eindhoven, Rotterdam, Rijswijk and The Hague.

The VodafoneZiggo JV is a joint venture between Liberty Global, the largest international TV and broadband internet company, and Vodafone Group, one of the world's largest telecommunication companies. Liberty Global serves 25 million customers through next-generation networks, who subscribe to over 50 million television, broadband internet and telephony services in over 30 countries. Vodafone Group has mobile operations in 26 countries, partners with mobile networks in 49 more, and fixed broadband operations in 17 markets. As of December 31, 2016, Vodafone Group had 470 million mobile customers and 14.3 million fixed broadband customers.

Footnotes

1. VodafoneZiggo (formerly known as Ziggo Group Holding B.V.) is a wholly-owned subsidiary of VodafoneZiggo Group Holding B.V. (the "VodafoneZiggo JV"), a 50:50 joint venture between Vodafone Group Plc ("Vodafone") and Liberty Global plc ("Liberty Global"). Prior to December 31, 2016, the predecessor of VodafoneZiggo was a wholly-owned subsidiary of Liberty Global. On December 31, 2016, Liberty Global and Vodafone completed a transaction (the "JV Transaction") whereby (i) VodafoneZiggo became a wholly-owned subsidiary of the VodafoneZiggo JV and (ii) Vodafone Libertel B.V. ("Vodafone NL"), the entity that owns Vodafone's mobile operations in the Netherlands, became a wholly-owned subsidiary of VodafoneZiggo. In connection with the closing of the JV Transaction, the VodafoneZiggo JV recorded all of its assets and liabilities at fair value. As the entity contributed to the VodafoneZiggo JV by Liberty Global is considered to be the predecessor of VodafoneZiggo financial reporting purposes, the historical consolidated financial statements for VodafoneZiggo do not include Vodafone NL for periods prior to December 31, 2016. In order to provide meaningful comparisons, the preliminary financial and operating information presented herein for the 2016 period is presented on a pro forma basis that gives effect to, among other items, (i) the inclusion of the financial and operating information of Vodafone NL (excluding Vodafone Thuis) as of and for the three months ended March 31, 2016 (ii) the impacts of the fair value accounting applied to the opening balance sheet of VodafoneZiggo in connection with the closing of the JV Transaction, (iii) the services provided to VodafoneZiggo by Vodafone and Liberty Global pursuant to a "Framework Agreement" that was entered into in connection with the JV Transaction; (iv) the elimination of historical related-party charges from Vodafone and Liberty that will not continue in the periods following the JV Transaction, with each adjustment recorded as if the JV Transaction had occurred on January 1, 2015. Financial and operating information in this release for all periods other than the first quarter of 2016 is presented on a historical basis unless otherwise noted.
2. RGU is separately a Basic Video Subscriber, Enhanced Video Subscriber, Internet Subscriber or Telephony Subscriber (each as defined and described below). A home, residential multiple dwelling unit or commercial unit may contain one or more RGUs. For example, if a residential customer in our market subscribed to our enhanced video service, fixed-line telephony service and broadband internet service, the customer would constitute three RGUs. Total RGUs is the sum of Basic Video, Enhanced Video, Internet and Telephony Subscribers. RGUs generally are counted on a unique premises basis such that a given premises does not count as more than one RGU for any given service. On the other hand, if an individual receives one of our services in two premises (e.g. a primary home and a vacation home), that individual will count as two RGUs for that service. Each bundled cable, internet or telephony service is counted as a separate RGU regardless of the nature of any bundling discount or promotion. Non-paying subscribers are counted as subscribers during their free promotional service period. Some of these subscribers may choose to disconnect after their free service period. Services offered without charge on a long-term basis (e.g., VIP subscribers, free service to employees) generally are not counted as RGUs. We do not include subscriptions to mobile services in our externally reported RGU counts. In this regard, our March 31, 2017 RGU counts exclude our separately reported mobile subscribers.
3. OCF is the primary measure used by our management to evaluate the operating performance of our businesses. OCF is also a key factor that is used by our management and our Supervisory Board to evaluate the effectiveness of our management for purposes of annual and other incentive compensation plans. As we use the term, OCF is defined as operating income before depreciation and amortization, share-based compensation, provisions and provision releases related to significant litigation and impairment, restructuring and other operating items. Other operating items include (i) gains and losses on the disposition of long-lived assets, (ii) third-party costs directly associated with successful and unsuccessful acquisitions and dispositions, including legal, advisory and due diligence fees, as applicable, and (iii) other acquisition-related items, such as gains and losses on the settlement of contingent consideration. Our internal decision maker believes OCF is a meaningful measure because it represents a transparent view of our recurring operating performance that is unaffected by our capital structure and allows management to (a) readily view operating trends, (b) perform analytical comparisons and benchmarking between entities and (c) identify strategies to improve operating performance. We believe our OCF measure is useful to investors because it is one of the bases for comparing our performance with the performance of other companies in the same or similar industries, although our measure may not be directly comparable to similar measures used by other public companies. OCF should be viewed as a measure of operating performance that is a supplement to, and not a substitute for, operating income, net earnings or loss, cash flow from operating activities and other U.S. GAAP measures of income or cash flows. A reconciliation of OCF to operating income is presented under *Financial Results, OCF Reconciliation & Property and Equipment Additions* section of this release.
4. Including shareholder charges (as further described in our 2016 annual report) and integration costs. A reconciliation of our 2017 OCF guidance to a U.S. GAAP measure is not provided due to the fact that not all elements of the reconciliation are projected as part of our forecasting process, as certain items may vary significantly from one period to another. For the definition and reconciliation of OCF, see note 3.
5. Customer Churn represents the rate at which customers relinquish their subscriptions. The annual rolling average basis is calculated by dividing the number of disconnects during the preceding 12 months by the average number of fixed customer relationships. For the purpose of computing churn, a disconnect is deemed to have occurred if the customer no longer receives any level of service from us and is required to return our equipment. A partial product downgrade, typically used to encourage customers to pay an outstanding bill and avoid complete service disconnection is not considered to be disconnected for purposes of our churn calculations. Customers who move within our cable footprint and upgrades and downgrades between services are also excluded from the disconnect figures used in the churn calculation.
6. Cable subscription revenue includes amounts earned from subscribers for ongoing broadband internet, video, and voice services (excluding installation and late fees) offered to both residential and SoHo customers. Mobile subscription revenue includes amounts earned from ongoing mobile and data services offered under postpaid and prepaid arrangements to both residential and SoHo customers. Mobile subscription revenue excludes, among other items, interconnect revenue, mobile handset and accessories sales, activation fees and late fees.
7. Average Revenue Per Unit ("ARPU") refers to the average monthly subscription revenue per average fixed customer relationship and is calculated by dividing the average monthly cable subscription revenue (excluding mobile services, B2B services, interconnect, channel carriage fees, mobile handset sales and installation fees) for the indicated period, by the average of the opening and closing balances for fixed customer relationships for the period. Fixed customer relationships of entities acquired during the period are normalized. Unless otherwise indicated, ARPU per fixed customer relationship is not adjusted for currency impacts. ARPU per RGU refers to average monthly subscription revenue per average RGU, which is calculated by dividing the average monthly cable subscription revenue for the indicated period, by the average of the opening and closing balances of RGUs for the period. Unless otherwise noted, ARPU in this release is considered to be ARPU per average fixed customer relationship.

8. B2B revenue (excluding SoHo) includes revenue from business broadband internet, video, voice, mobile and data services offered to medium to large enterprises and, on a wholesale basis, to other operators.
9. Property and equipment additions include capital expenditures on an accrual basis, amounts financed under vendor financing or capital lease arrangements and other non-cash additions.
10. Our fully-swapped third-party debt borrowing cost represents the weighted average interest rate on our aggregate variable- and fixed-rate indebtedness (excluding capital leases and including vendor financing obligations), including the effects of derivative instruments, original issue premiums or discounts and commitment fees, but excluding the impact of financing costs.
11. Accounting principles generally accepted in the United States are referred to as U.S. GAAP.
12. 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 (as defined below), we do not report homes passed for partner networks.
13. 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.
14. Basic Video Subscriber is a home, residential multiple dwelling unit or commercial unit that receives our video service over our broadband network either via an analog video signal or via a digital video signal without subscribing to any recurring monthly service that requires the use of encryption-enabling technology. Encryption-enabling technology includes smart cards, or other integrated or virtual technologies that we use to provide our enhanced service offerings. With the exception of RGUs that we count on an EBU basis, we count RGUs on a unique premises basis. In other words, a subscriber with multiple outlets in one premises is counted as one RGU and a subscriber with two homes and a subscription to our video service at each home is counted as two RGUs.
15. Enhanced Video Subscriber is a home, residential multiple dwelling unit or commercial unit that receives our video service over our broadband network or through a partner network via a digital video signal while subscribing to any recurring monthly service that requires the use of encryption-enabling technology. Enhanced Video Subscribers that are not counted on an EBU basis are counted on a unique premises basis. For example, a subscriber with one or more set-top boxes that receives our video service in one premises is generally counted as just one subscriber. An Enhanced Video Subscriber is not counted as a Basic Video Subscriber. As we migrate customers from basic to enhanced video services, we report a decrease in our Basic Video Subscribers equal to the increase in our Enhanced Video Subscribers. Subscribers to enhanced video services provided by our operations over partner networks receive basic video services from the partner networks as opposed to our operations.
16. 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.
17. 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.
18. Enhanced video penetration is calculated by dividing the number of enhanced video RGUs by the total number of basic and enhanced video RGUs.
19. Broadband and Telephony penetration is calculated by dividing the number of telephony RGUs and broadband RGUs, respectively, by the total Two-way Homes Passed.
20. Fixed Customer Relationships are the number of customers who receive at least one of our video, internet or telephony services that we count as Revenue Generating Units ("RGUs"), without regard to which or to how many services they subscribe. To the extent that RGU counts include equivalent billing unit ("EBU") adjustments, we reflect corresponding adjustments to our Fixed Customer Relationship counts. For further information regarding our EBU calculation, see Additional General notes. Fixed Customer Relationships generally are counted on a unique premises basis. Accordingly, if an individual receives our services in two premises (e.g., a primary home and a vacation home), that individual generally will count as two Fixed Customer Relationships. We exclude mobile-only customers from Fixed Customer Relationships.
21. VodafoneZiggo's mobile subscriber count represents the number of active subscriber identification module (SIM) cards in service rather than services provided. For example, if a mobile subscriber has both a data and voice plan on a smartphone this would equate to one mobile subscriber. Alternatively, a subscriber who has a voice and data plan for a mobile handset and a data plan for a laptop would be counted as two mobile subscribers. Our mobile subscriber count includes both prepaid and postpaid plans.
22. VodafoneZiggo's ARPU per mobile subscriber calculation refers to the average monthly mobile subscription revenue per average mobile subscribers in service and is calculated by dividing the average monthly mobile subscription revenue including interconnect revenue for the indicated period, by the average of the opening and closing balances of mobile subscribers in service for the period.
23. Beginning January 1, 2017, we changed the categories of our property and equipment additions from the National Cable & Telecommunications Association ("NCTA") classification approach to a new categorization, which aligns to our internal categories. We also applied this change retroactively to the prior-year period. The new categories are (i) customer premises equipment, (ii) new build & upgrade, (iii) capacity, (iv) baseline and (v) product & enablers. Customer premises equipment includes capitalizable equipment and labor, materials and other costs directly associated with the installation of such CPE. New build & upgrade includes capitalizable costs of network equipment, materials, labor and other costs directly associated with entering a new service area and upgrading our existing network. Capacity includes capitalizable costs for (a) network capacity required for growth, (b) central/regional head-end, hub, HFC equipment and mobile sites required to secure growth of new subscribers, RGU's and additional bandwidth revenue and (c) services expansions for both existing and new customers (e.g. video, voice, data, mobile and commercial services). This category covers core and access parts of the network and includes, for example, fiber node splits, upstream/downstream spectrum upgrades and optical equipment additions in our international backbone connections. Baseline includes capitalizable costs of equipment, materials, labor and other costs directly associated with maintaining and supporting the business. Our baseline category relates to areas such as network improvement, property and facilities, technical sites, information technology systems and fleet.

Product & enablers represents discretionary capitalizable costs and includes investments (i) required to support, maintain, launch or innovate in new customer products, and (i) in infrastructure, which drive operational efficiency over the long term.

24. The capital expenditures that we report in our condensed consolidated statements of cash flows do not include amounts that are financed under vendor financing or capital lease arrangements. Instead, these 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 related principal is repaid.
25. Net third-party debt including finance lease obligations is not a defined term under U.S. GAAP and may not therefore be comparable with other similarly titled measures reported by other companies.

Additional General Notes:

Certain of our B2B revenue is derived from 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 the respective RGU and customer counts of our broadband communications operation, with only those services provided at premium prices considered to be "SoHo RGUs" or "SoHo customers." To the extent our existing customers upgrade from a residential product offering to a SoHo product offering, the number of SoHo RGUs or SoHo customers will increase, but there is no impact to our total RGU or customer counts. With the exception of our B2B SoHo subscribers, we generally do not count customers of B2B services as customers or RGUs for external reporting purposes.

Certain of our residential and commercial RGUs are counted on an EBU basis, including residential multiple dwelling units and commercial units. Our EBUs are generally calculated by dividing the bulk price charged to accounts in an area by the most prevalent price charged to non-bulk residential customers in that market for the comparable tier of service. As such, we may experience variances in our EBU counts solely as a result of changes in rates.

While we take appropriate steps to ensure that subscriber statistics are presented on a consistent and accurate basis at any given balance sheet date, the variability in (i) the nature and pricing of products and services, (ii) the distribution platform, (iii) billing systems, (iv) bad debt collection experience and (v) other factors add complexity to the subscriber counting process. We periodically review our subscriber counting policies and underlying systems to improve the accuracy and consistency of the data reported on a prospective basis. Accordingly, we may from time to time make appropriate adjustments to our subscriber statistics based on those reviews.