

March 9, 2012



# Ziggo N.V.

## Prospectus

Initial Public Offering



# Facts & figures

as at December 31, 2011

Map of the Netherlands



 Ziggo Service Area <sup>(1)</sup>

Homes passed

**4.2 million**

Standard TV subscribers

**3.0 million**

Digital TV subscribers

**2.2 million**

Digital pay TV subscribers

**0.9 million**

Broadband internet subscribers

**1.7 million**

Telephony subscribers

**1.3 million**

All-in-1 bundle subscribers

**1.3 million**

Numbers include both consumer and business subscribers

<sup>(1)</sup> Including services provided over third-party networks

# Ziggo N.V.

a public company with limited liability (*naamloze vennootschap*) incorporated in the Netherlands with its statutory seat (*statutaire zetel*) in Utrecht, the Netherlands

## Offering of 35,000,000 ordinary shares

The selling shareholders listed in the section entitled “Selling Shareholders” of this Prospectus (the “Selling Shareholders”) are offering 35,000,000 ordinary shares (the “Offer Shares”) in the capital of Ziggo N.V. (the “Company”) (the “Offering”). The Offer Shares will constitute 17.5% of the issued and outstanding share capital of the Company after giving effect to the restructuring of the capital structure of the Company and its subsidiaries (the “Group”) described herein.

The Offering consists of: (i) a public offering to institutional and retail investors in the Netherlands, and (ii) a private placement to certain institutional investors in various other jurisdictions. The Offer Shares are being offered: (i) within the United States, to qualified institutional buyers (“QIBs”) as defined in Rule 144A (“Rule 144A”) under the US Securities Act of 1933, as amended (the “US Securities Act”), pursuant to Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and applicable state securities laws, and (ii) outside the United States, in accordance with Regulation S under the US Securities Act (“Regulation S”).

The Company will not receive any proceeds from the sale of the Offer Shares and the Additional Shares (as defined herein), if any, the net amount of which will be received by the Selling Shareholders.

Prior to the Offering, there has been no public market for the ordinary shares of the Company (the “Ordinary Shares”). Application has been made to list all the Ordinary Shares under the symbol “ZIGGO” on NYSE Euronext in Amsterdam (“Euronext Amsterdam”). Subject to acceleration or extension of the timetable for the Offering, trading on an “if-and-when-delivered” basis in the Ordinary Shares on Euronext Amsterdam is expected to commence on or about March 21, 2012 (the “First Trading Date”).

**Investing in the Ordinary Shares involves certain risks. See “Risk Factors” for a description of the factors one should consider before investing in the Ordinary Shares.**

### **Price of the Offer Shares (the “Offer Price”): expected to be between €16.50 and €18.50 (inclusive) per Offer Share (the “Offer Price Range”)**

The Offer Price Range is an indicative price range. The Offer Price and the exact number of Offer Shares will be determined after the Offer Period (as defined herein) has ended, and after taking into account the conditions described in “The Offering”. Prior to allocation of the Offer Shares (“Allocation”), the number of Offer Shares can be increased or decreased and the Offer Price Range can be changed. Any increase in the top end of the Offer Price Range on the last day of the Offer Period or the determination of an Offer Price above the Offer Price Range will result in the Offer Period being extended by at least two business days; any increase in the top end of the Offer Price Range on the day prior to the last day of the Offer Period will result in the Offer Period being extended by at least one business day. Any such change in the number of Offer Shares and/or the Offer Price Range will be announced in a press release on the Company’s website. The Offer Price and the exact number of Offer Shares will be set out in a pricing statement (the “Pricing Statement”) that will be deposited with the Netherlands Authority for the Financial Markets (*Stichting Autoriteit Financiële Markten*) (the “AFM”) and published in a press release on the Company’s website and on the website of Euronext Amsterdam N.V. (“Euronext”). Printed copies of the Pricing Statement will be made available at the registered office of the Company.

There will be a preferential allocation of Offer Shares to eligible retail investors in the Netherlands (the “Preferential Retail Allocation”). Each eligible retail investor in the Netherlands will be allocated the first 300 (or fewer) Offer Shares for which such investor subscribes, provided that if the total number of Offer Shares allocated to eligible retail investors under the Preferential Retail Allocation exceeds 15% of the total number of Offer Shares, the preferential allocation of Offer Shares to each eligible retail investor may be reduced pro rata to the first 300 (or fewer) Offer Shares for which such investor subscribes. As a result, eligible retail investors may not be allocated all of the first 300 (or fewer) Offer Shares for which they subscribe. The exact number of Offer Shares allocated to eligible retail investors will be determined after the Offer Period has ended. Further, eligible employees of the Ziggo Group will receive a one-time bonus which they can apply towards subscribing for Offer Shares (the “Employee Allocation”).

The Selling Shareholders with the exception of Even Participatie Coöperatie U.A. (the “Over-allotment Shareholders”) have granted the Joint Bookrunners, on behalf of the Underwriters (as defined herein), an option (the “Over-allotment Option”), exercisable within 30 calendar days after the First Trading Date, pursuant to which the Joint Bookrunners, on behalf of the Underwriters, may require the Over-allotment Shareholders to sell at the Offer Price up to 5,250,000 additional Ordinary Shares held by them, comprising up to 15% of the total number of Offer Shares sold in the Offering (the “Additional Shares”), to cover short positions resulting from any over-allotments made in connection with the Offering or stabilization transactions, if any.

This document (the “Prospectus”) does not constitute an offer to sell or the solicitation of an offer to buy Offer Shares or Additional Shares to any person in any jurisdiction to whom or in which such offer or solicitation is unlawful. The Offer Shares and Additional Shares, if any, have not been and will not be registered under the US Securities Act. Each purchaser of Offer Shares or Additional Shares offered hereby, in making a purchase, will be deemed to have made certain acknowledgements, representations and agreements as set out in “Selling and Transfer Restrictions”. Potential investors in the Offer Shares or Additional Shares should carefully read “Selling and Transfer Restrictions”.

Delivery of the Offer Shares is expected to take place on or about March 26, 2012 (the “Settlement Date”) through the book-entry systems of Nederlands Centraal Instituut voor Giraal Effectenverkeer B.V. trading as Euroclear Nederland (“Euroclear Nederland”), in accordance with its normal settlement procedures applicable to equity securities and against payment for the Offer Shares in immediately available funds.

If the closing of the Offering does not take place on the Settlement Date or at all, the Offering will be withdrawn, all applications to purchase the Offer Shares will be disregarded, any allocations made will be deemed not to have been made and any payments made will be returned without interest or other compensation and transactions in the Ordinary Shares on Euronext Amsterdam may be annulled. All dealings prior to settlement and delivery of the Offer Shares and Additional Shares are at the sole risk of the parties concerned. The Underwriters, the Company, the Selling Shareholders, the Listing Agent (as defined herein) and Euronext do not accept any responsibility or liability with respect to any person as a result of a withdrawal of the Offering or the related annulment of any transaction in Ordinary Shares on Euronext Amsterdam. For more information regarding the conditions to the Offering and the consequences of any termination or withdrawal of the Offering, see “The Offering”.

This Prospectus constitutes a prospectus for the purposes of Article 3 of European Union (EU) Directive 2003/71/EC (the “EU Prospectus Directive”) and has been prepared in accordance with Chapter 5.1 of the Dutch Financial Supervision Act (*Wet op het financieel toezicht*) and the rules promulgated thereunder (the “Dutch Financial Supervision Act”). This Prospectus has been approved by the AFM.

#### *Joint Global Coordinators*

**J.P. Morgan**

**Morgan Stanley**

#### *Joint Bookrunners*

**Deutsche Bank**

**J.P. Morgan**

**Morgan Stanley**

**UBS Investment Bank**

#### *Joint Lead Managers*

**ABN AMRO**

**HSBC**

**Nomura**

**Rabobank International**

#### *Joint Retail Bookrunners*

**ABN AMRO**

**Rabobank International**

#### *Co-Lead Manager*

**Société Générale Corporate &  
Investment Banking**

This Prospectus is dated March 9, 2012

## **NOTICE TO PROSPECTIVE INVESTORS IN THE UNITED STATES**

The Offer Shares and any Additional Shares offered hereby have not been and will not be registered under the US Securities Act, or with any securities regulatory authority of any state or other jurisdiction in the United States, and may not be offered, sold, pledged or otherwise transferred except pursuant to an exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and in compliance with any applicable state securities laws. Accordingly, the Offering and any offer of any Additional Shares is being extended (i) in the United States, to QIBs pursuant to Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements under the US Securities Act and applicable state securities laws, and (ii) outside the United States, in offshore transactions in accordance with Regulation S. Any Offer Shares or Additional Shares offered and sold in the United States will be subject to certain transfer restrictions as described in “Selling and Transfer Restrictions”. The Offer Shares and any Additional Shares offered hereby have not been recommended by any United States federal or state securities commission or regulatory authority. Furthermore, the foregoing authorities have not confirmed the accuracy or determined the adequacy of this Prospectus. Any representation to the contrary is a criminal offence in the United States.

## **NOTICE TO NEW HAMPSHIRE RESIDENTS ONLY**

NEITHER THE FACT THAT A REGISTRATION STATEMENT OR AN APPLICATION FOR A LICENSE HAS BEEN FILED UNDER CHAPTER 421-B OF THE NEW HAMPSHIRE REVISED STATUTES (RSA 421-B) WITH THE STATE OF NEW HAMPSHIRE NOR THE FACT THAT A SECURITY IS EFFECTIVELY REGISTERED OR A PERSON IS LICENSED IN THE STATE OF NEW HAMPSHIRE CONSTITUTES A FINDING BY THE SECRETARY OF STATE THAT ANY DOCUMENT FILED UNDER RSA 421-B IS TRUE, COMPLETE AND NOT MISLEADING. NEITHER ANY SUCH FACT NOR THE FACT THAT AN EXEMPTION OR EXCEPTION IS AVAILABLE FOR A SECURITY OR A TRANSACTION MEANS THAT THE SECRETARY OF STATE HAS PASSED IN ANY WAY UPON THE MERITS OR QUALIFICATIONS OF, OR RECOMMENDED OR GIVEN APPROVAL TO, ANY PERSON, SECURITY, OR TRANSACTION. IT IS UNLAWFUL TO MAKE, OR CAUSE TO BE MADE, TO ANY PROSPECTIVE PURCHASER, CUSTOMER, OR CLIENT ANY REPRESENTATION INCONSISTENT WITH THE PROVISIONS OF THIS PARAGRAPH.

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## SUMMARY

*This summary must be read as an introduction to this Prospectus only. Any decision to invest in the Ordinary Shares should be based on consideration of this Prospectus as a whole. No civil liability will attach to those persons responsible for this summary, including any translations of this summary, unless it is misleading, inaccurate or inconsistent when read together with the other parts of this Prospectus. Where a claim relating to the information contained in this Prospectus is brought before a court in a Member State of the European Economic Area (“EEA”), the plaintiff may, under the national legislation of the Member State where the claim is brought, be required to bear the costs of translating this Prospectus before legal proceedings are initiated.*

*Civil liability will attach to the Company in respect of this summary, including any translation thereof, but only if the summary does not provide key information or is misleading or inaccurate or inconsistent, when read together with the other parts of this Prospectus.*

*Certain terms used in this summary are defined elsewhere in this Prospectus including in “Important Information—Definitions” and “Glossary of Technical Terms and Acronyms”.*

### **Business Overview**

We are the largest cable operator in the Netherlands, with an estimated network coverage of 56% of the country by homes passed as at December 31, 2011. We provide standard TV, digital pay TV, high-speed broadband internet and telephony services to consumers and businesses. 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 TV, broadband internet and telephony services from a single provider at a lower price than they would pay through three individual service subscriptions. According to OPTA, the Dutch Independent Post and Telecommunications Authority, we were the number one provider of triple-play offerings in the Netherlands as at June 2011.

As at December 31, 2011, we had 4.2 million homes passed and primary product relationships with 3.0 million standard TV subscribers. 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. Based on Telecompaper statistics, we estimate that our service area market shares by subscriptions as at September 30, 2011 for standard TV, digital TV, broadband internet and telephony were 67.8%, 59.4%, 46.6% and 39.3%, respectively. We believe our leading positions are based on the strength of our network, customer focus and our ability to offer a premium combination of content, speed and functionality at attractive prices compared to our competitors.

Our services are delivered over our hybrid fiber coaxial (“HFC”) cable network, which is one of the most technically advanced in Europe. Since the start of the merger of our three predecessor businesses in 2006 (the “merger”), we have invested more than €1 billion in our network, systems and infrastructure and we will continue to invest to maintain and strengthen our competitive position. Our network is fully bi-directional and EuroDocsis 3.0 enabled. Both its spectrum bandwidth capacity of 862 MHz and average fiber distance of within 300 meters from our subscribers’ homes and offices are better than the European industry average. These features allow us to offer download speeds of up to 120 Mbps to all our homes passed, and our technology has the potential to offer speeds of up to 400 Mbps using current EuroDocsis 3.0 modems. The spectrum bandwidth capacity and speed of our network are substantially higher for TV and broadband internet services than the networks of other operators in our service area such as KPN, Tele2 and Online. Based on plans published by KPN, we estimate that Fiber-to-the-Home (“FttH”), the only network solution currently capable of providing equivalent speeds for broadband internet, will pass approximately 21% of the homes in our service area by 2013 and that not all homes passed will be connected.

Our unique network advantage, market-leading services, customer focus and continued innovation have enabled us to achieve strong growth in the number of our standard TV subscribers who also subscribe for our digital pay TV offerings as well as the percentage of standard TV subscribers who are “triple-play subscribers”, which has increased from 29.4% as at December 31, 2009 to 43.8% as at December 31, 2011. These increases in turn have driven growth in revenue generating units (“RGU”) and our average monthly revenue per user (“ARPU”) in the past three years. As a result, our blended consumer ARPU has increased from €30.42 for the year ended December 31, 2009 to €37.34 for the year ended December 31, 2011. Going forward, we believe we are well positioned to capture further growth through our triple-play and digital pay TV offerings.

The tables below summarize our growth in RGUs, triple-play subscribers, ARPU and blended ARPU during the period under review and provide definitions for these terms in the footnotes.

|  | As at December 31,           |              |              |
|--|------------------------------|--------------|--------------|
|  | 2009                         | 2010         | 2011         |
|  | (thousands, except as noted) |              |              |
| <b>Total RGUs<sup>(1)</sup></b> . . . . .                            | <b>6,414</b>                 | <b>6,727</b> | <b>6,992</b> |
| <i>Year-on-year change (%)</i> . . . . .                             |                              | 4.9%         | 3.9%         |
| <b>RGUs (consumer):</b>  |                              |              |              |
| Standard TV . . . . .  | 3,111                        | 3,024        | 2,920        |
| <i>Year-on-year change (%)</i> . . . . .                             |                              | (2.8%)       | (3.4%)       |
| Digital pay TV <sup>(2)</sup> . . . . .                              | 778                          | 897          | 940          |
| <i>Year-on-year change (%)</i> . . . . .                             |                              | 15.3%        | 4.8%         |
| Broadband internet . . . . .   | 1,445                        | 1,545        | 1,662        |
| <i>Year-on-year change (%)</i> . . . . .                             |                              | 7.0%         | 7.6%         |
| Telephony . . . . .  | 995                          | 1,157        | 1,332        |
| <i>Year-on-year change (%)</i> . . . . .                             |                              | 16.3%        | 15.2%        |
| <b>Total RGUs (consumer)</b> . . . . .                               | <b>6,328</b>                 | <b>6,622</b> | <b>6,854</b> |
| <i>Year-on-year change (%)</i> . . . . .                             |                              | 4.7%         | 3.5%         |
| Of which All-in-1 bundle subscribers <sup>(3)</sup> . . . . .        | 680                          | 1,079        | 1,261        |
| <i>Year-on-year change (%)</i> . . . . .                             |                              | 58.8%        | 16.9%        |
| Of which non-bundle triple-play subscribers <sup>(4)</sup> . . . . . | 235                          | 20           | 17           |
| <i>Year-on-year change (%)</i> . . . . .                             |                              | (91.5%)      | (15.0%)      |
| <b>RGUs per standard TV subscriber (consumer)</b> . . . . .          | <b>2.03</b>                  | <b>2.19</b>  | <b>2.35</b>  |
| <i>Year-on-year change (%)</i> . . . . .                             |                              | 7.7%         | 7.2%         |
| <b>RGUs (business):</b>  |                              |              |              |
| Standard TV . . . . .  | 80                           | 85           | 97           |
| <i>Year-on-year change (%)</i> . . . . .                             |                              | 6.3%         | 14.1%        |
| Broadband internet . . . . .   | 3                            | 11           | 23           |
| <i>Year-on-year change (%)</i> . . . . .                             |                              | 281.4%       | 106.3%       |
| Telephony . . . . .  | 3                            | 9            | 17           |
| <i>Year-on-year change (%)</i> . . . . .                             |                              | 224.8%       | 101.8%       |
| <b>Total RGUs (business)</b> . . . . .                               | <b>86</b>                    | <b>105</b>   | <b>138</b>   |
| <i>Year-on-year change (%)</i> . . . . .                             |                              | 22.1%        | 31.4%        |
| Of which Office Basis <sup>(5)</sup> subscribers . . . . .           | 3                            | 9            | 17           |
| <i>Year-on-year change (%)</i> . . . . .                             |                              | 224.8%       | 101.8%       |
| Of which Internet Plus <sup>(5)</sup> subscribers . . . . .          | 0                            | 3            | 6            |
| <i>Year-on-year change (%)</i> . . . . .                             |                              | 759.5%       | 120.4%       |
| ToM <sup>(5)</sup> & ToM Interactive <sup>(5)</sup> . . . . .        | 73                           | 69           | 69           |
| <i>Year-on-year change (%)</i> . . . . .                             |                              | (5.5%)       | 0.0%         |

(1) 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.

(2) 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.



- (3) The increase in the number of All-in-1 bundle subscribers from December 31, 2009 to December 31, 2010 includes 152,000 non-bundle triple-play subscribers who received standard TV, broadband internet and telephony services on an individual service subscription basis and were converted to the All-in-1 bundle in December 2010.
- (4) Triple-play subscribers comprise (i) All-in-1 bundle subscribers (who subscribe for 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 for standard TV, broadband internet and telephony through individual service subscriptions rather than through our All-in-1 bundle).
- (5) “Office Basis” and “Internet Plus” are our HFC products aimed at the SoHo and SME Small B2B market segment; “ToM” and “ToM Interactive” are our HFC products aimed at the SME Medium B2B market segment. See “Business—Our Business Product Offerings”.

|  | For the year ended December 31, |              |              |
|--|---------------------------------|--------------|--------------|
|  | 2009                            | 2010         | 2011         |
| <b>Blended ARPU (consumer)<sup>(1)</sup> (€)</b> .....             | <b>30.42</b>                    | <b>33.92</b> | <b>37.34</b> |
| Year-on-year change (%) .....                                      |                                 | 11.5%        | 10.1%        |
| <b>Blended All-in-1 bundle<sup>(2)</sup> ARPU (consumer)</b> ..... | <b>39.69</b>                    | <b>41.21</b> | <b>41.77</b> |
| Year-on-year change (%) .....                                      |                                 | 3.8%         | 1.4%         |

(1) Blended ARPU is calculated as the sum of total standard TV, digital pay TV, broadband internet and telephony consumer revenues (including digital pay TV and telephony usage revenues) for the period divided by the period’s average monthly total standard TV consumer RGUs and divided by the number of months in that period. Based on the growth of our business revenues, we have decided to report consumer ARPU and business ARPU separately from January 2012 onwards. We do not report blended business ARPU as revenues between the different products and different types of business customers vary significantly.

(2) Blended All-in-1 bundle ARPU does not include digital pay TV and telephony usage revenues.

Our RGU and ARPU growth has generated strong growth in revenues and profitability in recent periods. For the year ended December 31, 2011, our total revenues were €1,478.2 million, a 7.4% increase over the year ended December 31, 2010. For the year ended December 31, 2010, our total revenues were €1,375.7 million, a 7.1% increase over the year ended December 31, 2009, and our Adjusted EBITDA was €783.3 million, a 12.6% increase over the year ended December 31, 2009. The table below summarizes our growth in revenues, EBITDA, Adjusted EBITDA and OpFCF during the period under review and provides definitions for the latter three terms.

|   | For the year ended December 31,                                |                |                |
|---|--|----------------|----------------|
|   | 2009<br>(adjusted) <sup>(*)</sup>                              | 2010           | 2011           |
|   | (€ in millions, except as noted)<br>(Audited, except as noted) |                |                |
| <b>Revenues</b> .....   | <b>1,284.4</b>   | <b>1,375.7</b> | <b>1,478.2</b> |
| Year-on-year change (%) .....   | 3.5%   | 7.1%           | 7.4%           |
| <b>EBITDA<sup>(1)</sup> (unaudited)</b> .....   | <b>648.2</b>   | <b>775.1</b>   | <b>834.6</b>   |
| Integration costs <sup>(2)</sup> .....  | 47.1   | 8.2            | —              |
| <b>Adjusted EBITDA<sup>(3)</sup> (unaudited)</b> .....  | <b>695.4</b>   | <b>783.3</b>   | <b>834.6</b>   |
| Percentage of revenues .....  | 54.1%  | 56.9%          | 56.5%          |
| Year-on-year change .....   | 2.8%   | 12.6%          | 6.5%           |
| <b>Capital expenditures (excluding integration and acquisition capital expenditure)<sup>(4)</sup></b> ..... | <b>209.5</b>   | <b>175.2</b>   | <b>242.9</b>   |
| Percentage of revenues .....  | 16.3%  | 12.7%          | 16.4%          |
| Year-on-year change .....   | 1.8%   | (16.4%)        | 38.7%          |
| <b>OpFCF<sup>(5)</sup> (unaudited)</b> .....  | <b>485.9</b>   | <b>608.1</b>   | <b>591.7</b>   |
| Percentage of revenues .....  | 37.8%  | 44.2%          | 40.0%          |
| Year-on-year change .....   | 3.2%   | 25.1%          | (2.7%)         |

(\*) See “Important Information—Presentation of Financial Information—2009 Financial Information” and note 24 to 2010 Financial Statements. This reflects adjustments made in connection with the continuation of an employee benefits plan, resulting in a €0.4 million decrease in our EBITDA and a €0.7 million decrease in our net result for 2009, as well as a €4.7 million decrease in our equity as at December 31, 2009.



- (1) EBITDA represents operating income plus depreciation and amortization and is a non-IFRS measure. The EBITDA measure presented in the table above may not be comparable to similarly titled measures used by other companies. For a reconciliation of our operating income to EBITDA, see “Important Information—Non-IFRS Financial Measures”.
- (2) Integration costs (which are included within total operating expenses for the years 2009 and 2010) relate to expenses incurred in connection with the integration of our three predecessor businesses, including, among other things, consultancy fees related to integration, restructuring and redundancy costs, costs related to the establishment of our single brand name “Ziggo” (which was launched in May 2008) and costs related to the consolidation of office functions at our new central office in Utrecht, which was opened in 2009.
- (3) We define Adjusted EBITDA as EBITDA as adjusted to remove the effects of integration operating expenses. Adjusted EBITDA is a non-IFRS measure. The Adjusted EBITDA measure presented in the table above may not be comparable to similarly titled measures used by other companies. See “Important Information—Non-IFRS Financial Measures”.
- (4) Capital expenditure represents payments to acquire property, plant and equipment but excludes capital expenditure incurred in connection with the integration of our predecessor businesses (which amounted to €42.3 million, €27.5 million and nil for the years ended December 31, 2009, 2010 and 2011, respectively) and acquisitions (which amounted to nil, nil and €7.4 million for the years ended December 31, 2009, 2010 and 2011, respectively).
- (5) We define operating free cash flow (“OpFCF”) as Adjusted EBITDA less capital expenditures excluding integration capital expenditure and acquisition capital expenditure. The OpFCF measure presented in the table above may not be comparable to similarly titled measures used by other companies. For a reconciliation of our operating income to OpFCF, see “Important Information—Non-IFRS Financial Measures”.

The table below sets out our revenue growth, Adjusted EBITDA as a percentage of revenues, OpFCF as a percentage of revenues and OpFCF as a percentage of Adjusted EBITDA, as compared with other cable operators in Europe based on the most recently available public information.

|  | For the year ended December 31, 2011 |  |  |   |
|--|--------------------------------------|--|--|---|
|  | Revenue Growth                       | Adjusted EBITDA <sup>(1)</sup> as a percentage of revenues | OpFCF <sup>(1)</sup> as a percentage of revenues | OpFCF <sup>(1)</sup> as a percentage of Adjusted EBITDA |
|  | (Unaudited)                          |  |  |   |
| <b>Europe</b>  |                                      |  |  |   |
| UPC Cablecom (Switzerland) <sup>(2)</sup> . . . . .  | 1.9%                                 | 56.3%  | 39.9%  | 70.9%   |
| Kabel Deutschland (Germany) <sup>(3)</sup> . . . . . | 6.5%                                 | 45.6%  | 24.0%  | 52.7%   |
| Telenet (Belgium) <sup>(4)</sup> . . . . .           | 6.0%                                 | 52.6%  | 30.0%  | 57.2%   |
| UPC Netherlands (Netherlands) . . . . .              | 5.0%                                 | 59.3%  | 44.2%  | 74.5%   |
| Virgin Media (United Kingdom) . . . . .              | 3.0%                                 | 39.8%  | 20.7%  | 52.0%   |
| <b>Ziggo</b> . . . . .                               | <b>7.4%</b>                          | <b>56.5%</b>   | <b>40.0%</b>                                     | <b>70.9%</b>  |

Source: Public filings and reports of Ziggo and other companies listed in table.

- (1) We define Adjusted EBITDA as EBITDA as adjusted to remove the effects of integration operating expenses. We define OpFCF as Adjusted EBITDA less capital expenditure excluding integration capital expenditure made in connection with the integration of our predecessor businesses and in connection with acquisitions. Both Adjusted EBITDA and OpFCF are non-IFRS measures. These measures and the margins based on them may not be comparable to similarly titled margins used by other companies, including those listed in the table above. Differences in how these measures are calculated may adversely affect the comparability of these measures. See “Important Information—Non-IFRS Financial Measures”.
- (2) Revenue growth based on figures reported by UPC Cablecom in Swiss Francs to exclude impact of foreign exchange movements.
- (3) Figures reported by Kabel Deutschland (Germany) for the year ended March 31, 2011.
- (4) Capital expenditure for Telenet excludes €71.5 million related to the acquisition of a 3G mobile spectrum license and €88.8 million related to the acquisition of Belgian football broadcasting rights.

## Our Strengths

**Operations in one of Europe’s most attractive markets for cable operators.** The Netherlands has very attractive characteristics for cable operators, including the relative prosperity of its population, its high population density and its high cable penetration. Cable networks in the Netherlands pass approximately 98% of all households, which is among the highest rates in Europe, while customer penetration of cable networks at approximately 72% in 2011 compares favorably with most other European markets, according to Screen Digest. We believe that higher disposable income translates into higher potential spending on media and communications services, while high population density, cable network ubiquity and high customer penetration allow for highly efficient cable operations yielding comparatively higher profitability and cash flow margins.

***The most advanced network in our service area and one of the strongest networks in Europe.*** Our HFC network is fully bi-directional, EuroDocsis 3.0 enabled, has a spectrum bandwidth capacity of 862 MHz and has an average fiber distance of within 300 meters from our subscribers' homes and offices. This combination of characteristics positions our HFC network uniquely within the European cable market and as the strongest infrastructure in our service area. Our HFC network enables us to provide higher quality TV and broadband internet services than those offered by DSL, DTH and DTT operators in our service area such as KPN, Tele2 and Online. For example, we can currently provide speeds of up to 120 Mbps to all our homes passed using our EuroDocsis 3.0 high-speed modems. These modems have the potential to support speeds of up to 400 Mbps. We currently have a network advantage across approximately 87% of our service area and expect to maintain this advantage across approximately 79% of this area through 2013, based on KPN's published plans to roll-out FttH, the only network solution currently capable of providing equivalent speeds for broadband internet.

***Competitive advantage in triple-play, digital TV and broadband internet.*** As a result of our network strength, highly competitive service offerings and customer focus, we have developed leading positions in triple-play, digital pay TV and broadband internet services within our service area. We are focused on providing our customers with highly competitive services that offer more content, higher speeds, greater functionality and better quality of service than our competitors. In digital TV, we offer an extensive range of HD channels, full video-on-demand, "Catch-up TV" services and a comprehensive TV library. In broadband internet, we provide the highest speeds in our service area, at the most competitive price per download speed level, which has allowed us to achieve a market share in our service area of 46.6% by number of subscriptions as at September 30, 2011. Our fixed telephony offering includes free on-net calls for all subscribers and attractive pricing plans, which, together with our broadband internet and TV offerings, create an attractive "All-in-1" triple-play proposition.

***Significant growth opportunities in the Dutch market.*** We believe the strengths above, combined with our direct relationships with subscribers, uniquely position us to capture growth opportunities within the Dutch telecommunications market, including:

- ***Triple-Play:*** We estimate that our penetration for triple-play offerings, measured as a percentage of our total standard TV subscriptions, has the potential to grow over time from 43.8% as at December 31, 2011. In a report for OPTA in March 2011, AT Kearney and Telecompaper indicate that they expect the trend of bundling to continue. Other cable operators have achieved higher levels such as Virgin Media, with 64% at the end of December 2011. Consequently, in line with historical performance, we expect strong growth in our All-in-1 bundle triple-play subscriber base.
- ***High-speed Broadband Internet:*** According to Telecompaper, demand for high-speed broadband internet in the Netherlands is expected to double, from 10% of existing broadband internet subscriptions in 2010 to 20% in 2014. We believe that we are well positioned to benefit from this growth, given that we offer broadband internet speeds of 120 Mbps throughout our service area. We estimate that in approximately 87% of our service area, we are currently the only operator capable of providing broadband speeds over 60 Mbps.
- ***Digital Pay TV:*** According to Screen Digest, the digital pay television market segment in the Netherlands is expected to grow from €0.4 billion in 2011 to approximately €0.8 billion by 2015. We expect to benefit from this growth by leveraging our attractive digital pay TV offering and through innovative digital pay TV services, and, among others, network-based services such as a personal video recorder ("PVR").

***Combination of high EBITDA and cash flow margins and growth in recent years.*** We have benefited from highly attractive EBITDA and cash flow margins growth in recent years, which has been supported by efficient capital expenditure. For the year ended December 31, 2011, we generated Adjusted EBITDA as a percentage of revenues of 56.5% and OpFCF as a percentage of revenues of 40.0%. Our cash flow conversion (OpFCF as a percentage of Adjusted EBITDA) for 2011 was 70.9%, significantly exceeding both Kabel Deutschland and Telenet, at 52.7% and 57.2%, respectively, for the same year. At the same time, Adjusted EBITDA has grown from €570 million for the year ended December 31, 2007<sup>(1)</sup> to €835 million for the year ended December 31, 2011, representing a compound annual growth rate

(1) Adjusted EBITDA for 2007 is unaudited and is derived from the 2007 financial statements of ABC B.V., which owned substantially all of the assets of the Group in 2007 and which will be a subsidiary of the Company following the Restructuring (see structure chart on page 176).

(“CAGR”) of 10.0% and driven, we believe, by the strengths of our market, market position, network and operations, and by operational benefits realized through the merger.

***Experienced and proven management team.*** With more than 80 years of combined experience in the telecommunications, media and technology (“TMT”) sectors, our management team has a proven track record of developing and implementing our growth strategy. Prior to joining Ziggo, members of our management team had senior management positions at a broad range of telecommunications and media businesses, including two of our predecessor businesses, Essent Kabelcom and Multikabel, as well as Libertel, PrimaCom, UPC / A2000 and KPN. Bernard Dijkhuizen, our Chief Executive Officer, joined us in the creation of Ziggo, having previously served as general manager of Essent Kabelcom B.V., and has more than 12 years of TMT experience. Our Chief Financial Officer, Bert Groenewegen, joined us in March 2010 and has more than 21 years of TMT experience. Marcel Nijhoff, our Chief Commercial Officer, joined us in 2006, having previously served as Chief Executive Officer of Multikabel N.V. for two years, and has more than 27 years of TMT experience, including 16 years in cable. Paul Hendriks, our Chief Technology Officer, joined us in 2008 and has more than 20 years of TMT experience.

## **Our Strategy**

***Leverage our superior network and product offering to further increase market share, triple-play bundle penetration and ARPU.*** We intend to continue to exploit our network and product offering advantages to further increase our product market shares. Our strategy is to continue to offer higher-value services at attractive prices with better content choice, speed, functionality and service quality than those of our competitors. We will also exploit cross-selling opportunities to increase penetration of our All-in-1 bundle and digital pay TV services in order to maximize ARPU.

***Continue to innovate and to exploit new growth opportunities.*** We will promote innovation to take advantage of growth opportunities in order to further strengthen our leading position in the Dutch telecom and media market. We see these growth opportunities as an extension of our consumer business and intend to pursue them in an incremental manner by leveraging our existing infrastructure. We will continue expanding our comprehensive, high-quality offering of standard digital and HD channels, and interactive TV (“iTV”) services, such as video-on-demand and “Catch-up TV”. In order to further grow iTV usage, we aim to create additional interactive solutions. We intend to use a multi-screen approach to provide “TV Everywhere” services for multiple devices, such as computers, tablets and smart phones. We aim to add mobility to our current service offering, but do not intend to become a traditional mobile operator. We are in the process of developing a converged mobile proposition that makes use of our own WiFi coverage in and around homes, offices and public hotspots, complemented by the use of a third party radio access network at other locations in the Netherlands. See “Business—Mobile” for more information.

***Further drive our B2B growth in the SME Small and SoHo segments.*** We have repositioned our business-to-business (“B2B”) operations to focus on the small and medium size enterprises (“SME”) market, in particular small-office/home-office (“SoHo”) (1-5 employees) and SME Small (6-50 employees) businesses already connected to our network. Because our HFC network is fully EuroDocsis 3.0 enabled, we can deliver high-speed broadband internet services, together with fixed telephony, cost effectively, without significant capital investment and at prices that are competitive. Since we launched our new B2B campaign in May 2010, we have more than quadrupled our SoHo and SME Small business subscribers from 5,050 as at May 31, 2010 to 23,500 as at December 31, 2011.

***Increase customer satisfaction by improving all aspects of the customer experience.*** We have invested heavily in our customer relations function in order to improve satisfaction and retention at all customer contact points, including customer service centers, Ziggo engineers and our online portal. We continue to respond to feedback from our monthly customer surveys which will enable us to improve customer satisfaction levels and continue reducing our already low churn rates, which decreased from 9.8% to 9.1% in customer churn and from 4.8% to 4.1% in All-in-1 customer churn from 2009 to 2011.

***Generate substantial shareholder value by focusing on growth, dividends and deleveraging.*** We intend to leverage our leading network advantage and unique portfolio of rich TV, broadband internet, telephony and bundle services for both consumer customers and small business customers to capture the strong growth potential in the market. Our scalable cost base and network efficiency allow for leading operating free cash flow generation to drive an attractive combination of deleveraging and capital returns.

## **Risk Factors**

Prior to investing in the Ordinary Shares, prospective investors should consider carefully, together with the other information contained in this Prospectus, the risks associated therewith. The following list presents the material risks we face and the risks faced by the industry in which we operate:

### ***Risks Related to the Economic Environment and Competition in Our Industry***

- Competitive pressures in the television, broadband internet, telephony, B2B services and mobile sectors
- Dependence on continued demand for information, communication, and entertainment products and services and bundled offerings
- Geographical concentration in the Netherlands
- Possible inability to introduce new services or respond to technological developments

### ***Risks Related to Our Business, Strategy and Operations***

- Churn
- Pressure on customer service
- Lack of guaranteed access to television content and relationships with content providers and broadcasters
- Increases in operating costs and inflation risks
- Continued functioning of our network and IT infrastructure
- Leakage of customer data resulting in fines, loss of reputation and churn
- Dependence on third-party providers of hardware, software and customer support and other services
- Strikes, work stoppages and other industrial action disrupting our operations
- Retention and attraction of key personnel
- Effect on television service quality by interference from mobile network operators
- Operation in a capital-intensive business with rapidly changing technology

### ***Risks Related to Legislative and Regulatory Matters***

- Significant government regulation and supervision
- Regulation on the basis of significant market power in markets of operation
- Adverse decisions of tax authorities or changes in tax treaties, laws, rules or interpretations

### ***Risks Relating to Our Financial Profile***

- Significant leverage
- Risk that we will incur further debt
- Interest rate shifts
- Restrictive covenants in debt instruments
- Foreign exchange risks
- Negative changes in credit rating

### ***Risks Relating to the Offering and the Ordinary Shares***

- Voting power of Selling Shareholders
- Possibility that active trading market for the Ordinary Shares may not develop and/or that their trading price may fluctuate

- Possible depressed market price resulting from future sales of a substantial number of Ordinary Shares
- Possibility of dilution resulting from attempts to raise capital through equity offerings
- Restrictions on dividend payments
- Closing of the Offering not occurring, resulting in disregard of purchases of Offer Shares and annulment of transactions on Euronext Amsterdam
- Potential inability of investors to recover in civil proceedings for U.S. securities laws violations
- Possible inability of Shareholders outside the Netherlands to exercise pre-emptive rights in future offerings
- Exposure to foreign exchange risk for investors with a reference currency other than the euro

## Summary of the Terms of the Offering

The summary below describes the principal terms of the Offering. Certain terms and conditions described below are subject to important limitations and exceptions. Please refer to “The Offering” and “Selling and Transfer Restrictions” for a more detailed description of the terms and conditions of the Offering.

|                                 |   |
|---------------------------------|---|
| <b>Company</b>                  | Ziggo N.V., a public company with limited liability ( <i>naamloze vennootschap</i> ) incorporated under the laws of the Netherlands, with its statutory seat ( <i>statutaire zetel</i> ) in Utrecht, the Netherlands.   |
| <b>Selling Shareholders</b>     | The Selling Shareholders listed in the section entitled “Selling Shareholders” of this Prospectus.  |
| <b>Number of Offer Shares</b>   | The Selling Shareholders are offering 35,000,000 Offer Shares. The Offer Shares will constitute 17.5% of the issued and outstanding share capital of the Company upon giving effect to the Restructuring of the Group’s capital structure. See “The Offering—Introduction”. Cinven Cable Investments S.à r.l and WP Holdings IV B.V., in consultation with the Company, reserve the right to increase or decrease the number of Offer Shares being offered prior to the date on which Allocation takes place. Any such change in the number of Offer Shares being offered will be published in a press release on the Company’s website. See “The Offering—Change of the Offer Price Range or Number of Offer Shares”.  |
| <b>Ordinary Share Ownership</b> | Immediately after the closing of the Offering, assuming no exercise of the Over-allotment Option, 82.5% of the total Ordinary Shares will be owned by the Selling Shareholders. In the case of full exercise of the Over-allotment Option, 79.875% of the total Ordinary Shares will be owned by the Selling Shareholders. In each case the foregoing percentages assume the offer size set forth on the cover page of this Prospectus and assume an Offer Price at the mid-point of the Offer Price Range, which is an indicative price range. See “Certain Relationships and Related Party Transactions—Selling Shareholders—Holdings Immediately Prior to and After the Offering”.   |
| <b>Offering</b>                 | The Offering consists of: (i) a public offering to institutional and retail investors in the Netherlands, and (ii) a private placement to certain institutional investors in various other jurisdictions. The Offer Shares are being offered: (i) within the United States to QIBs pursuant to Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and applicable state securities laws, and (ii) outside the United States, in accordance with Regulation S.   |
| <b>Offer Period</b>             | Prospective investors may subscribe for Offer Shares during the period commencing on March 9, 2012 at 9.00 a.m. CET and ending on March 20, 2012 at 4.00 p.m. CET. The timetable for the Offering may be accelerated or extended. The Offer Period for retail and institutional investors may differ and the Joint Bookrunners may accelerate or extend the Offer Period for retail and institutional investors separately. Any extension will be published in a press release on the Company’s website at least three hours before the end of the original Offer Period, provided that any extension will be for a minimum of one full business day. Any acceleration will be published in a press release on the Company’s website at least three hours before the proposed end |



of the accelerated Offer Period. In any event, the Offer Period will be at least six business days.

**Offer Price Range**

The Offer Price Range is between €16.50 and €18.50 per Offer Share. The Offer Price Range is an indicative price range. Cinven Cable Investments S.à r.l and WP Holdings IV B.V., in consultation with the Company, reserve the right to change the Offer Price Range and/or increase or decrease the number of Offer Shares being offered prior to the date on which Allocation takes place. Any increase in the top end of the Offer Price Range on the last day of the Offer Period or the determination of an Offer Price above the Offer Price Range will result in the Offer Period being extended by at least two business days; any increase in the top end of the Offer Price Range on the day prior to the last day of the Offer Period will result in the Offer Period being extended by at least one business day. Any such change in the Offer Price Range and/or the number of Offer Shares being offered will be published in a press release on the Company's website. See "The Offering—Change of the Offer Price Range or Number of Offer Shares".

**Offer Price**

The Offer Price and the actual number of Offer Shares will be determined after the Offer Period has ended and after taking into account certain conditions and factors described elsewhere in this Prospectus. The Offer Price may be set within, above or below the Offer Price Range, which is an indicative price range. See "The Offering—Offer Price and Number of Offer Shares".

**Proceeds**

The Selling Shareholders will receive the net proceeds from the Offering and, if the Over-allotment Option is exercised, the net proceeds from the sale of the Additional Shares. The proceeds received by the Selling Shareholders will be entirely at their disposition. The Company will not receive any proceeds from this Offering but will pay certain expenses as set forth in "The Offering—Fees and Expenses".

**Subscription**

Eligible retail investors who wish to purchase Offer Shares should instruct their financial intermediary. Subscriptions by eligible retail investors will only be made on a market order (*bestens*) basis. Eligible retail investors are entitled to cancel or amend their subscription with the financial intermediary to whom their original subscription was submitted at any time prior to the end of the Offer Period (if applicable, as amended or extended). Such cancellations or amendments may be subject to the terms of the financial intermediary involved. See "The Offering—Subscription and Allocation".

**Allocation**

Allocation is expected to take place on the first business day after the end of the Offer Period. Investors may not be allocated all of the Offer Shares for which they subscribe. Ultimately, Cinven Cable Investments S.à r.l. and WP Holdings IV B.V., in consultation with the Company following recommendations from the Joint Bookrunners, will determine the number of Offer Shares to be allocated. See "The Offering—Subscription and Allocation".

**Preferential Retail Allocation**

Each eligible retail investor in the Netherlands will be allocated the first 300 (or fewer) Offer Shares for which such investor subscribes, provided that if the total number of Offer Shares allocated to eligible retail investors under the Preferential Retail Allocation would exceed 15% of the total number of Offer Shares, the preferential allocation of Offer Shares to each



eligible retail investor may be reduced pro rata to the first 300 (or fewer) Offer Shares for which such investor subscribes. As a result, eligible retail investors may not be allocated all of the first 300 (or fewer) Offer Shares for which they subscribe. The exact number of Offer Shares allocated to eligible retail investors will be determined after the Offer Period has ended. The Preferential Retail Allocation is separate from the Employee Allocation and the maximum size of 15% of the Preferential Retail Allocation does not include the Employee Allocation. See “The Offering—Preferential Retail Allocation”.

**Employee Allocation**

Each eligible employee will receive a one-time bonus. At the employee’s discretion, he/she can choose to have the bonus paid out in cash, to have it reserved (in accordance with Company policy) or to use it to subscribe for Offer Shares in the Offering. To encourage employee participation in the Offering, the gross amount of an employee’s bonus will be multiplied by 1.2 if that employee chooses to use his/her bonus to subscribe for Offer Shares (in which case the net amount of such bonus will be applied towards subscribing for Offer Shares). Employees subscribing for Offer Shares under the Employee Allocation will be allocated all of the Offer Shares for which they subscribe. For any additional subscriptions outside the Employee Allocation, employees will be subject to the same Preferential Retail Allocation as other investors. The Employee Allocation is separate from the Preferential Retail Allocation and the maximum size of 15% of the Preferential Retail Allocation does not include the Employee Allocation. See “The Offering—Employee Allocation”.

**First Trading Date**

Subject to acceleration or extension of the timetable for the Offering, trading on an “if-and-when-delivered” basis in the Ordinary Shares on Euronext Amsterdam is expected to commence on or about March 21, 2012.

**Over-allotment Option**

The Over-allotment Shareholders have granted the Joint Bookrunners, on behalf of the Underwriters, an option, exercisable within 30 calendar days after the First Trading Date, pursuant to which the Joint Bookrunners, on behalf of the Underwriters, may require the Over-allotment Shareholders to sell to the Underwriters at the Offer Price the Additional Shares, comprising up to 15% of the total number of Offer Shares sold in the Offering, to cover short positions resulting from any over-allotments made in connection with the Offering or stabilization transactions, if any. See “The Offering—Introduction”.

**Lock-up Arrangements**

The Company and the Selling Shareholders have agreed to certain lock-up arrangements with the Underwriters, subject to certain customary exceptions. For the Company and the Selling Shareholders, other than the Management Selling Shareholders but including the Former Management Selling Shareholders, these arrangements will be effective for a period of 180 days after the Settlement Date; for the Management Selling Shareholders excluding the Former Management Selling Shareholders, this period will be 365 days after the Settlement Date, which is expected to be March 26, 2012, the third business day following the First Trading Date (T+3). In addition, any Offer Shares subscribed for under the Employee Allocation will be subject to a lock-up obligation of 180 days after the

Settlement Date. See “Plan of Distribution—Lock-up Arrangements”.

**Dividends**

The Offer Shares will entitle their holders to any future dividends payable to holders of our Ordinary Shares in the manner as described in “Dividend Policy” and “Description of Share Capital and Corporate Governance—Dividend Distributions”.

**Voting Rights and Ranking**

Holders of our Ordinary Shares are entitled to cast one vote per Ordinary Share held. The rights of the holders of Offer Shares and Additional Shares, if any, will rank *pari passu* with each other and with all other Ordinary Shares with respect to voting rights and distributions.

**Listing and Trading**

Application has been made to list all of the Ordinary Shares on Euronext Amsterdam under the symbol “ZIGGO”.

Subject to acceleration or extension of the timetable for the Offering, trading in the Ordinary Shares on Euronext Amsterdam is expected to commence on the First Trading Date. Trading in the Ordinary Shares before the closing of the Offering will take place on an “if-and-when-delivered” basis. If the closing of the Offering does not take place on the Settlement Date or at all, the Offering will be withdrawn, all subscriptions will be disregarded, any allotments made will be deemed not to have been made, any payments made will be returned without interest or other compensation and transactions in the Ordinary Shares on Euronext Amsterdam may be annulled. All dealings in the Ordinary Shares prior to settlement and delivery are at the sole risk of the parties concerned.

The Underwriters, the Company, the Selling Shareholders, the Listing Agent and Euronext do not accept any responsibility or liability for any loss incurred by any person as a result of a withdrawal of the Offering or the related annulment of any transactions in Ordinary Shares on Euronext Amsterdam. See “The Offering—Listing and Trading”.

**Payment, Delivery, Clearing and Settlement**

Payment for the Offer Shares, and payment for the Additional Shares pursuant to the Over-allotment Option, if such option has been exercised prior to the Settlement Date, is expected to take place on the Settlement Date. Subject to acceleration or extension of the timetable for the Offering, the Settlement Date is expected to be March 26, 2012, the third business day following the First Trading Date (T+3).

Delivery of the Offer Shares, and of the Additional Shares pursuant to the Over-allotment Option, if such option has been exercised prior to the Settlement Date, is expected to take place on the Settlement Date through the book-entry facilities of Euroclear Nederland, in accordance with its normal settlement procedures applicable to equity securities and against payment for the Offer Shares and, if applicable, the Additional Shares, in immediately available funds. See “The Offering—Payment” and “The Offering—Delivery, Clearing and Settlement”.

**Trading Information**

ISIN: NL0006294290

Common code: 075557841

Symbol: “ZIGGO”

|                                   |  |
|-----------------------------------|--|
| <b>Joint Global Coordinators</b>  | J.P. Morgan Securities Ltd. and Morgan Stanley & Co. International plc.  |
| <b>Joint Bookrunners</b>          | Deutsche Bank AG, London Branch, J.P. Morgan Securities Ltd., Morgan Stanley & Co. International plc and UBS Limited.  |
| <b>Joint Lead Managers</b>        | ABN AMRO Bank N.V., Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., HSBC Bank Plc and Nomura International plc.  |
| <b>Joint Retail Bookrunners</b>   | ABN AMRO Bank N.V. and Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A.  |
| <b>Co-Lead Manager</b>            | Société Générale.  |
| <b>Underwriters</b>               | J.P. Morgan Securities Ltd., Morgan Stanley & Co. International plc, Deutsche Bank AG, London Branch, UBS Limited, ABN AMRO Bank N.V., Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., HSBC Bank Plc, Nomura International plc and Société Générale.   |
| <b>Listing and Paying Agent</b>   | ABN AMRO Bank N.V.   |
| <b>Stabilization Agent</b>        | J.P. Morgan Securities Ltd.  |
| <b>Underwriters' Compensation</b> | In consideration of the agreement by the Underwriters to procure purchasers for or, failing which, to purchase themselves the Offer Shares, and, if applicable, the Additional Shares, at the Offer Price and subject to the Offer Shares being sold as provided for in the Underwriting Agreement, the Selling Shareholders have agreed to pay to the Underwriters certain selling, underwriting and management commissions of 1.50% of the product of the Offer Price and the aggregate number of Offer Shares and Additional Shares, if any. In addition, at the sole discretion of Cinven Cable Investments S.à r.l. and WP Holdings IV B.V., in consultation with the Company, the Selling Shareholders may pay a discretionary commission of up to 1.50% of the product of the Offer Price and the aggregate number of Offer Shares and Additional Shares, if any. Such consultation with the Company shall be exclusively for informal purposes and shall not be construed as a requirement to seek the consent of the Company. |

## Summary Financial and Operating Information

The summary financial information set out below refers to the financial years ended December 31, 2009, 2010 and 2011. This information has been extracted without material amendment from the 2011 Financial Statements and the 2010 Financial Statements included in “Financial Information” in this Prospectus, and should be read in conjunction with, and is qualified by reference to, those statements. See “Important Information—Presentation of Financial Information” for further details.

### Consolidated Income Statement Data

|  | Year ended December 31,           |                  |                  |
|--|-----------------------------------|------------------|------------------|
|  | 2009<br>(adjusted) <sup>(*)</sup> | 2010             | 2011             |
|  | (€ in thousands)<br>(Audited)     |                  |                  |
| <b>Total revenues</b> . . . . .                            | <b>1,284,395</b>                  | <b>1,375,742</b> | <b>1,478,169</b> |
| Cost of goods sold . . . . .                               | (263,276)                         | (265,036)        | (291,147)        |
| Personnel expenses . . . . .                               | (179,782)                         | (170,715)        | (175,574)        |
| Contracted work . . . . .                                  | (68,352)                          | (44,833)         | (51,162)         |
| Materials and logistics . . . . .                          | (3,371)                           | (4,071)          | (6,035)          |
| Marketing and sales . . . . .                              | (55,332)                          | (62,106)         | (68,514)         |
| Office expenses . . . . .                                  | (55,366)                          | (52,183)         | (49,564)         |
| Other operating expenses . . . . .                         | (10,675)                          | (1,748)          | (1,571)          |
| Amortization and impairments . . . . .                     | (215,488)                         | (218,597)        | (79,939)         |
| Depreciation and impairments . . . . .                     | (261,752)                         | (284,148)        | (268,014)        |
| <b>Operating income</b> . . . . .                          | <b>171,001</b>                    | <b>272,305</b>   | <b>486,649</b>   |
| Net financial income (expense) . . . . .                   | (490,218)                         | (543,965)        | (464,193)        |
| <b>Result before income taxes</b> . . . . .                | <b>(319,217)</b>                  | <b>(271,660)</b> | <b>22,456</b>    |
| Net result of joint ventures and associates . . . . .      | —                                 | —                | (168)            |
| Income tax benefit (expense) . . . . .                     | 81,400                            | 71,262           | (7,784)          |
| <b>Net result</b> . . . . .                                | <b>(237,817)</b>                  | <b>(200,398)</b> | <b>14,504</b>    |
| <b>Net result attributable to equity holders</b> . . . . . | <b>(237,817)</b>                  | <b>(200,398)</b> | <b>14,504</b>    |

(\*) See “Important Information—Presentation of Financial Information—2009 Financial Information” and note 24 to 2010 Financial Statements. This reflects adjustments made in connection with the continuation of an employee benefits plan, resulting in a €0.4 million decrease in our EBITDA and a €0.7 million decrease in our net result for 2009, as well as a €4.7 million decrease in our equity as at December 31, 2009.

### Consolidated Balance Sheet Data

|   | Year ended December 31,           |                  |                  |
|---|-----------------------------------|------------------|------------------|
|   | 2009<br>(adjusted) <sup>(*)</sup> | 2010             | 2011             |
|   | (€ in thousands)<br>(Audited)     |                  |                  |
| Total non-current assets . . . . .              | 5,429,147                         | 5,175,322        | 5,053,749        |
| Total current assets . . . . .                  | 161,615                           | 137,966          | 197,380          |
| <b>Total assets</b> . . . . .                   | <b>5,590,762</b>                  | <b>5,313,288</b> | <b>5,251,129</b> |
| Equity attributable to equity holders . . . . . | (895,150)                         | (1,083,499)      | (1,061,684)      |
| Total non-current liabilities . . . . .         | 6,141,830                         | 6,059,623        | 5,993,137        |
| Total current liabilities . . . . .             | 344,082                           | 337,164          | 319,676          |
| <b>Total equity and liabilities</b> . . . . .   | <b>5,590,762</b>                  | <b>5,313,288</b> | <b>5,251,129</b> |

(\*) See “Important Information—Presentation of Financial Information—2009 Financial Information” and note 24 to 2010 Financial Statements. This reflects adjustments made in connection with the continuation of an employee benefits plan, resulting in a €0.4 million decrease in our EBITDA and a €0.7 million decrease in our net result for 2009, as well as a €4.7 million decrease in our equity as at December 31, 2009.

### Consolidated Cash Flow Statement Data

|   | Year ended December 31,       |              |               |
|---|-------------------------------|--------------|---------------|
|   | 2009                          | 2010         | 2011          |
|   | (€ in thousands)<br>(Audited) |              |               |
| Net cash flow from operating activities . . . . .                     | 687,634                       | 755,562      | 819,866       |
| Net cash flow used in investing activities . . . . .                  | (253,576)                     | (202,523)    | (249,839)     |
| Net cash flow from financing activities . . . . .                     | (411,405)                     | (551,333)    | (524,396)     |
| <b>Net increase (decrease) in cash and cash equivalents . . . . .</b> | <b>22,653</b>                 | <b>1,706</b> | <b>45,631</b> |

### Pro Forma Financial Information

In connection with the Offering, our indirect parent company Even Investments 2 S.à r.l. will contribute its interest-bearing loans to Zesko B.V. (which will be acquired by Ziggo N.V. on implementation of the Restructuring) as shares and share premium. See “Certain Relationships and Related Party Transactions—Selling Shareholders—Restructuring”. We have prepared pro forma financial information for the year ended and as at December 31, 2011 in order to demonstrate the effect of the contribution of the interest-bearing loans as if that transaction had taken place on January 1, 2011 and was carried forward through December 31, 2011.

Our financial information in all periods to, and including, 2010 assumes that customer relationships are amortized over 12 to 14 years. See notes 2 and 3 to our 2011 Financial Statements. On April 1, 2011, a new analysis carried out by the Company showed that the useful life of customer relationships is indefinite. As a consequence, customer relationships are no longer amortized and are subject to annual impairment testing. Accordingly, the pro forma financial information for the year ended and as at December 31, 2011 also demonstrates the effect of the change in the accounting treatment of customer relationship attrition as if it had taken place on January 1, 2011 and was carried forward through December 31, 2011. This change in accounting treatment will result in reduced amortization charges going forward.

The summary pro forma financial information presented below has been extracted without material adjustment from the unaudited pro forma condensed consolidated financial information for the year ended and as at December 31, 2011 (the “Unaudited Pro Forma Condensed Consolidated Financial Information”) included in Section E of “Financial Information” in this Prospectus. The pro forma financial information has been prepared for illustrative purposes only. Because of its nature, the pro forma financial information addresses a hypothetical situation and, therefore, does not represent our actual financial position or results.

### Pro Forma Income Statement Data

|  | Year ended    | Pro forma               | Pro forma      |
|--|---------------|-------------------------|----------------|
|  | December 31,  |                         | adjustments    |
|  | 2011          |                         | December 31,   |
|  |               | (€ in thousands)        |                |
|  | (Audited)     | (Unaudited)             |                |
| Total revenues . . . . .                                   | 1,478,169     | —                       | 1,478,169      |
| Amortization and impairments . . . . .                     | 79,939        | (44,124) <sup>(1)</sup> | 35,815         |
| Operating income . . . . .                                 | 486,649       | 44,124                  | 530,773        |
| Net financial income (expense) . . . . .                   | (464,193)     | 215,882 <sup>(2)</sup>  | (248,311)      |
| Result before income taxes . . . . .                       | 22,456        | 260,006                 | 282,462        |
| Net result of joint ventures and associates . . . . .      | (168)         | —                       | (168)          |
| Income tax benefit (expense) . . . . .                     | (7,784)       | (65,002)                | (72,786)       |
| <b>Net result . . . . .</b>                                | <b>14,504</b> | <b>195,004</b>          | <b>209,508</b> |
| <b>Net result attributable to equity holders . . . . .</b> | <b>14,504</b> | <b>195,004</b>          | <b>209,508</b> |

(1) Adjustment reflects a pro forma decrease in amortization cost of €44.1 million in the year ended December 31, 2011 as a result of the decrease in amortization expenses in relation to customer relationships.

(2) Adjustment reflects a pro forma decrease in interest expense of €215.9 million in the year ended December 31, 2011 as a result of the conversion of the interest-bearing loans of Even Investments 2 S.à r.l. to shares and share premium of Zesko B.V. See “Certain Relationships and Related Party Transactions—Selling Shareholders—Restructuring”.

Pro Forma Balance Sheet Data

|   | As at<br>December 31,<br>2011 | Pro forma<br>adjustments<br>(€ in thousands) | Pro forma<br>as at<br>December 31,<br>2011 |
|---|-------------------------------|--|--|
|   | (Audited)                     | (Unaudited)                                  |  |
| Total assets . . . . .                        | 5,251,129                     | (9,847) <sup>(1)</sup>                       | 5,241,327                                  |
| Total equity . . . . .                        | (1,061,684)                   | 2,260,340                                    | 1,198,701                                  |
| Total non-current liabilities . . . . .       | 5,993,137                     | (2,270,187) <sup>(2)</sup>                   | 3,722,950                                  |
| Total current liabilities . . . . .           | 319,676                       | —  | 319,676                                    |
| <b>Total equity and liabilities . . . . .</b> | <b>5,251,129</b>              | <b>(9,847)</b>                               | <b>5,241,327</b>                           |

- (1) Adjustment reflects a pro forma decrease in deferred tax assets of €54.0 million as a result of lower pro forma interest expense and a pro forma increase in intangible assets of €44.1 million as a result of the decrease in amortization expense.
- (2) Adjustment reflects the pro forma conversion of the interest-bearing loans from Even Investments 2 S.à r.l. to shares and share premium of Zesko B.V. in the amount of €2,281.2 million, and a pro forma increase in deferred tax liabilities of €11.0 million as a result of the decrease in amortization expense. See “Certain Relationships and Related Party Transactions—Selling Shareholders—Restructuring”.

**Non-IFRS Measures**

This Prospectus includes certain measures that are not measures defined by IFRS. See “Important Information—Non-IFRS Financial Measures”. The tables below present these non-IFRS measures, along with certain key operating information, for 2009, 2010 and 2011.

|  | Year ended December 31,           |  |       |
|--|-----------------------------------|--|-------|
|  | 2009<br>(adjusted) <sup>(*)</sup> | 2010<br>(€ in millions)<br>(Unaudited) | 2011  |
| EBITDA <sup>(1)</sup> . . . . .  | 648.2                             | 775.1                                  | 834.6 |
| Integration operating expenses <sup>(2)</sup> . . . . .  | 47.1                              | 8.2                                    | —     |
| Adjusted EBITDA <sup>(3)</sup> . . . . .   | 695.4                             | 783.3                                  | 834.6 |
| Total capital expenditure . . . . .  | 251.8                             | 202.7                                  | 250.3 |
| Capital expenditure excluding integration and acquisition capital expenditure <sup>(4)</sup> . . . . . | 209.5                             | 175.2                                  | 242.9 |
| OpFCF <sup>(5)</sup> . . . . .   | 485.9                             | 608.1                                  | 591.7 |
| Adjusted net income <sup>(6)</sup> . . . . .   | —                                 | 105.8                                  | 202.0 |

- (\*) See “Important Information—Presentation of Financial Information—2009 Financial Information” and note 24 to 2010 Financial Statements. This reflects adjustments made in connection with the continuation of an employee benefits plan, resulting in a €0.4 million decrease in our EBITDA and a €0.7 million decrease in our net result for 2009, as well as a €4.7 million decrease in our equity as at December 31, 2009.
- (1) EBITDA represents operating income plus depreciation and amortization and is a non-IFRS measure. The EBITDA measure presented in the table above may not be comparable to similarly titled measures used by other companies. For a reconciliation of our operating income to EBITDA, see “Important Information—Non-IFRS Financial Measures”.
- (2) Integration operating expenses (which are included within total operating expenses for the years 2009 and 2010) relate to expenses incurred in connection with the integration of our three predecessor businesses, including, among other things, consultancy fees related to integration, restructuring and redundancy costs, costs related to the launch and establishment of our single brand name “Ziggo” in May 2008 and costs related to the consolidation of office functions at our new central office in Utrecht, which was opened in 2009.
- (3) We define Adjusted EBITDA as EBITDA as adjusted to remove the effects of integration operating expenses. Adjusted EBITDA is a non-IFRS measure. The Adjusted EBITDA measure presented in the table above may not be comparable to similarly titled measures used by other companies. See “Important Information—Non-IFRS Financial Measures”.
- (4) Capital expenditure represents payments to acquire property, plant and equipment but excludes capital expenditure incurred in connection with the integration of our predecessor businesses (which amounted to €42.3 million, €27.5 million and nil for the years ended December 31, 2009, 2010 and 2011, respectively) and acquisitions (which amounted to nil, nil and €7.4 million for the years ended December 31, 2009, 2010 and 2011, respectively).



- (5) We define operating free cash flow (“OpFCF”) as Adjusted EBITDA less capital expenditures excluding integration capital expenditure and acquisition capital expenditure. The OpFCF measure presented in the table above may not be comparable to similarly titled measures used by other companies. For a reconciliation of our operating income to OpFCF, see “Important Information—Non-IFRS Financial Measures”.
- (6) “Adjusted net income” represents net result adjusted for amortization of customer lists, amortization of funding costs, impairments, costs related to integration, interest on shareholders loans and fair value gains or losses from ineffective hedge contracts under IFRS and tax effects of these adjustments. In relation to the 6½% Senior Secured Notes and the 8% Senior Unsecured Notes, adjusted net income is cumulative from April 1, 2010. In relation to the Senior Credit Agreement, adjusted net income is cumulative from January 1, 2011. For a reconciliation of our net result to adjusted net income, see “Important Information—Non-IFRS Financial Measures”.

### Operating Information

|  | As at December 31,    |              |              |
|--|-----------------------|--------------|--------------|
|  | 2009                  | 2010         | 2011         |
|  | (thousands, except %) |              |              |
| <b>Footprint</b>   |                       |              |              |
| Homes passed <sup>(1)</sup> . . . . .                                    | 4,074                 | 4,141        | 4,202        |
| <b>RGUs (consumer)<sup>(2)</sup></b>                                     |                       |              |              |
| <i>Analog TV</i> . . . . .   | 1,559                 | 1,220        | 768          |
| <i>Digital TV<sup>(3)</sup></i> . . . . .                                | 1,552                 | 1,804        | 2,152        |
| <b>Total standard TV</b> . . . . .                                       | <b>3,111</b>          | <b>3,024</b> | <b>2,920</b> |
| <b>Digital pay TV<sup>(4)</sup></b> . . . . .                            | <b>778</b>            | <b>897</b>   | <b>940</b>   |
| <b>Broadband internet</b> . . . . .                                      | <b>1,445</b>          | <b>1,545</b> | <b>1,662</b> |
| <b>Telephony</b> . . . . .   | <b>995</b>            | <b>1,157</b> | <b>1,332</b> |
| <b>Total RGUs (consumer)</b> . . . . .                                   | <b>6,328</b>          | <b>6,622</b> | <b>6,854</b> |
| <i>Of which All-in-1 bundle subscribers<sup>(5)</sup></i> . . . . .      | 680                   | 1,079        | 1,261        |
| <i>Of which non-bundle triple-play subscribers</i> . . . . .             | 235                   | 20           | 17           |
| <b>Total triple-play subscribers<sup>(6)</sup></b> . . . . .             | <b>915</b>            | <b>1,099</b> | <b>1,278</b> |
| <b>RGUs (business)<sup>(2)</sup></b>                                     |                       |              |              |
| Total standard TV . . . . .  | 80                    | 85           | 97           |
| Broadband internet . . . . .   | 3                     | 11           | 23           |
| Telephony . . . . .  | 3                     | 9            | 17           |
| <b>Total RGUs (business)</b> . . . . .                                   | <b>86</b>             | <b>105</b>   | <b>138</b>   |
| <i>Of which Office Basis subscribers</i> . . . . .                       | 3                     | 9            | 17           |
| <i>Of which Internet Plus subscribers</i> . . . . .                      | 0                     | 3            | 6            |
| <i>ToM &amp; ToM Interactive<sup>(7)</sup></i> . . . . .                 | 73                    | 69           | 69           |
| <b>Penetration (consumer)</b>  |                       |              |              |
| Standard TV subscribers as % of homes passed <sup>(8)</sup> . . . . .    | 78.9%                 | 75.3%        | 71.7%        |
| Digital TV subscribers as % of standard TV subscribers . . .             | 49.9%                 | 59.7%        | 73.7%        |
| Digital pay TV subscribers as % of standard TV subscribers               | 25.0%                 | 29.7%        | 32.2%        |
| Broadband internet subscribers as % of standard TV subscribers . . . . . | 46.4%                 | 51.1%        | 56.9%        |
| Telephony subscribers as % of standard TV subscribers . . . .            | 32.0%                 | 38.3%        | 45.6%        |
| All-in-1 bundle subscribers as % of standard TV subscribers              | 21.8%                 | 35.7%        | 43.2%        |
| Total triple-play subscribers as % of standard TV subscribers . . . . .  | 29.4%                 | 36.3%        | 43.8%        |

(1) Homes passed represents all homes connected to our network directly and through third-party networks. 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 130,000, 126,000 and 127,000 homes passed by third party cable networks as at December 31, 2009, 2010 and 2011, 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 smart cards as at the dates indicated. Only subscribers who have activated smart cards 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) The increase in the number of All-in-1 bundle subscribers from December 31, 2009 to December 31, 2011 includes 152,000 non-bundle triple-play subscribers who received standard TV, broadband internet and telephony services on an individual service subscription basis and were converted to the All-in-1 bundle in December 2010.
- (6) Triple-play subscribers comprise (i) All-in-1 bundle subscribers (who subscribe for 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 for standard TV, broadband internet and telephony through individual service subscriptions rather than through our All-in-1 bundle).
- (7) Expressed as standard TV equivalents (calculated as ToM and ToM Interactive revenues divided by the consumer price for standard TV (excluding VAT)).
- (8) 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 our standard TV RGUs do not include subscribers in third-party service areas.

|  | For the year ended December 31, |              |              |
|--|---------------------------------|--------------|--------------|
|  | 2009                            | 2010         | 2011         |
|  | (€)                             |              |              |
| <b>ARPU (consumer)<sup>(1)</sup></b>   |                                 |              |              |
| Standard TV . . . . .  | 13.17                           | 13.32        | 13.49        |
| Digital pay TV <sup>(2)</sup> . . . . .  | 11.60                           | 12.55        | 13.71        |
| Broadband internet including value-added services subscriptions <sup>(3)</sup> . . . . .     | 20.92                           | 21.30        | 21.60        |
| Telephony subscription including value-added services subscriptions <sup>(4)</sup> . . . . . | 6.90                            | 7.49         | 7.59         |
| Telephony usage <sup>(5)</sup> . . . . .   | 12.52                           | 12.14        | 11.43        |
| <b>Blended ARPU<sup>(6)</sup></b> . . . . .  | <b>30.42</b>                    | <b>33.92</b> | <b>37.34</b> |
| <b>Blended ARPU All-in-1 bundle<sup>(7)</sup></b> . . . . .                                  | <b>39.69</b>                    | <b>41.21</b> | <b>41.77</b> |

- (1) Operating data related to ARPU is presented in euro per month (excluding VAT) for the periods indicated. Blended ARPU is calculated as the sum of total standard TV, digital pay TV, broadband internet and telephony consumer revenues (including digital pay TV and telephony usage revenues) for the period divided by the period's average monthly total standard TV consumer RGUs and divided by the number of months in that period. Based on the growth of our business revenues, we have decided to report consumer ARPU and business ARPU separately from January 2012 onwards. We do not report blended business ARPU as revenues between the different products and different types of business customers vary significantly.
- (2) ARPU for our digital pay TV is calculated by dividing the digital pay TV revenues for the period by the average monthly number of subscribers that have subscribed for one or more of our digital pay TV services and dividing by the number of months in that period.
- (3) ARPU from broadband internet is calculated by dividing broadband internet revenues, including revenues generated through value-added services subscriptions, for the period by the average monthly number of subscribers and dividing by the number of months in that period. Value-added services subscriptions include online backup, internet security and anti-virus services.
- (4) ARPU from telephony subscription is calculated by dividing telephony subscription revenues, including value-added services subscriptions, for the period by the average monthly number of subscribers and dividing by the number of months in that period. Value-added services subscriptions include second telephony lines and mobile subscriptions from the former Multikabel business.
- (5) ARPU from telephony usage is calculated by dividing total telephony usage revenues for the period by the average monthly total telephony RGUs and dividing by the number of months in that period.
- (6) Blended ARPU is calculated as the sum of total standard TV, digital pay TV, broadband internet and telephony revenues (including digital pay TV and telephony usage revenues) for the period divided by the period's average monthly total standard TV RGUs and divided by the number of months in that period.
- (7) Blended All-in-1 bundle ARPU does not include digital pay TV and telephony usage revenues.

|  | As at December 31, |       |       | As at September 30, |       |
|--|--------------------|-------|-------|---------------------|-------|
|  | 2008               | 2009  | 2010  | 2010                | 2011  |
| <b>Ziggo market share in the Netherlands<sup>(1)</sup></b> |                    |       |       |                     |       |
| Total TV . . . . .   | 41.0%              | 40.3% | 39.0% | 39.2%               | 37.9% |
| Digital TV . . . . .                                       | 28.2%              | 32.9% | 33.4% | 33.2%               | 35.2% |
| Broadband internet . . . . .                               | 23.5%              | 24.1% | 25.0% | 24.7%               | 26.0% |
| Telephony (VoIP + PSTN/ISDN) . . . . .                     | 13.8%              | 16.7% | 19.5% | 18.8%               | 21.9% |
| <b>Ziggo market share in service area<sup>(2)</sup></b>    |                    |       |       |                     |       |
| Total TV . . . . .   | 74.2%              | 73.0% | 70.3% | 70.9%               | 67.8% |
| Digital TV . . . . .                                       | 49.9%              | 57.0% | 58.0% | 57.7%               | 59.4% |
| Broadband internet . . . . .                               | 42.7%              | 43.7% | 45.2% | 44.7%               | 46.6% |
| Telephony (VoIP + PSTN/ISDN) . . . . .                     | 25.0%              | 30.3% | 35.3% | 34.0%               | 39.3% |

(1) Source: Telecompaper.

(2) We calculate our market share in our service area for each service as follows. First, we calculate the total number of subscribers for a particular service in our service area by multiplying the total number of subscribers for that service in the Netherlands, which is based on Telecompaper data, by the percentage of homes passed by us in the Netherlands for the respective periods. We then divide our total subscribers for that particular service by the resulting number (the total subscribers for a particular service in our service area).

## RISK FACTORS

*You should carefully consider the risk factors set out below, together with the other information contained in this Prospectus, before making an investment decision with respect to investing in the Ordinary Shares. All of these factors are contingencies which may or may not occur. Although we believe that the risks and uncertainties described below are the most material risks and uncertainties, they are not the only ones we face. Additional risks and uncertainties not presently known to us or that we currently deem to be immaterial may also have a material adverse effect on our business, results of operations or financial condition and could negatively affect the value of the Ordinary Shares.*

*In addition to considering carefully the risk factors set out below and this entire Prospectus, before making an investment decision with respect to the Ordinary Shares, you should also consult your own financial, legal and tax advisers to carefully review the risks associated with an investment in the Ordinary Shares and consider such an investment decision in light of your personal circumstances.*

### **Risks Related to the Economic Environment and Competition in Our Industry**

*We operate in a competitive industry, and competitive pressures could have a material adverse effect on our business.*

We face significant competition from established and more recent competitors and may face competition from new entrants in the future. The nature and level of the competition we face varies for each of the products and services we offer, but in each case we compete on the basis of price, marketing, network quality, product and service portfolio specifications and quality and customer care. Our competitors include, but are not limited to, providers of television, broadband internet and telephony services using DSL, PSTN or fiber connections, including KPN and Tele2, providers of television services using alternative and emerging digital technologies such as Internet Protocol television (“IPTV”) and television services provided “over the top” of an existing broadband internet network (“OTT-television”), satellite (“DTH”) providers, including CanalDigitaal, digital terrestrial television (“DTT”) providers and mobile network operators. We also compete with other sources of news, information and entertainment such as newspapers, movie theatres, live sporting and music events, computer games and home video products. See “Business—Competition” and “Industry and Market Overview” for further details.

Advances in communications technologies and consumer electronics, as well as changes in the way information, communication and entertainment is offered, are occurring constantly, and their impact is very difficult to predict. Current and future competitors may be able to offer a wider range of services to a larger subscriber base or at lower prices than we charge for our services, for example where our services are priced at the high end of the market, which could cause us to lose subscribers, force us to lower our prices or otherwise adversely affect the margin of profit we are able to achieve from our services. In particular, we face the following risks in relation to each of our product offerings:

#### ***Consumer Product Offerings***

- *All-in-1 bundle.* We are increasingly selling our TV, broadband internet and telephony services as part of our All-in-1 bundle, which accounted for 31.0% of our consumer revenues in 2010 and 42.2% in the year ended December 31, 2011. Many of our competitors, including KPN, Tele2, T-Mobile and Vodafone, also offer bundles of services. Several of these bundles include mobile phone service, which we do not currently offer. Our competitors are continuing to improve, often by partnership with other providers, their ability to offer compelling bundles of services. If our bundled products are not able to compete effectively, we may be required to lower our prices or increase investment in our services to improve quality in order to take advantage of increasing demand for bundled services and avoid losing existing subscribers. In addition, we do not have the resources of, or benefit from the economies of scale and scope available to KPN.
- *Television.* TV revenues constituted 47.3% of our consumer revenues in 2010 and 45.5% of our revenues in the year ended December 31, 2011. Although there currently is no significant competition between the major cable network operators in the Netherlands because of the minimal overlap between their service areas, we face increasing competition from other methods of distributing television services, such as DTT, DTH, IPTV over DSL or FttH, and OTT-television. Several of our competitors, including KPN and Tele2, currently provide IPTV services to subscribers in our network area utilizing ADSL2+ and VDSL2 broadband internet connections. Demand for IPTV may increase in the future as it becomes more widely available, the price of the receiving equipment decreases and the receiving equipment is built into television sets. In addition, KPN is taking steps to upgrade its broadband internet speeds using VDSL2 technology, in combination with FttC and new technologies

such as bonding, vectoring, phantoming, and continues to introduce FttH in certain areas through its joint venture Reggefiber with Reggeborgh. FttH offers the potential for higher internet speeds (upload and download) than are currently possible over our network. Several municipalities and provinces in the Netherlands have offered and continue to offer support to network operators that build FttH networks, and some municipalities and provinces have entered into public private partnerships such as Amsterdam Citynet to stimulate investment. Further upgrades in the reliability and speed of broadband internet connections may allow KPN and other IPTV providers to improve the quality of their television service.

In addition, we may in the future be required by regulators (OPTA conducts new market analyzes every three years) to open up our network to third parties to allow them to provide television services using our network. See “—Risks Related to Legislative, Regulatory and Tax Matters—We have been found in the past, and in the future may be found, to have significant market power in the markets in which we operate, the regulation of which may adversely affect our business” below.

- *Broadband internet.* Broadband internet revenues accounted for 29.3% of our consumer revenues in 2010 and 29.9% in the year ended December 31, 2011. Continued upgrades to the quality of DSL-based broadband internet service and continued FttH installations by our competitors across our service area may have a negative impact on our competitive position in the broadband internet market. We also compete with service providers that use other alternative technologies for broadband internet access, such as satellite technologies or mobile standards such as worldwide interoperability for microwave access (“WiMax”), universal mobile telecommunications system (“UMTS”), 3GPP Long Term Evolution (“LTE”) and high-speed packet access (“HSPA”), which may allow both incumbent and new broadband internet access providers the ability to provide high-speed connection services for voice, data, video and television. Furthermore, additional access technologies may be launched in the future that will further increase competition or force us to increase capital expenditure for additional upgrades.
- *Telephony.* Telephony revenues accounted for 19.4% of our consumer revenues in 2010 and 20.4% in the year ended December 31, 2011. The Dutch market for consumer telephony services is relatively price sensitive and already operates at a low price level by European standards. We expect increasing competition, including price competition, from traditional and non-traditional telephony providers in the future.

#### ***Business Product Offerings***

- *B2B.* B2B revenues accounted for 5.6% of our total revenues in 2010 and 5.9% in the year ended December 31, 2011. The incumbent operator KPN accounts for approximately 70% of the Dutch B2B services market by revenues and benefits from economies of scale and network effects. Other key players such as Vodafone, Tele2 and Eurofiber may increasingly target this market with significant fiber infrastructure and product portfolio investments and/or by implementing longer investment return cycles and more aggressive pricing to win business. Such competitive pressure may prevent us from growing and competing successfully in this market or realizing the targeted gross margin and/or capital investment and return on investment levels. It may also lead to increasing churn levels across our installed base and/or lead to price erosion in the context of longer term contracts expiring and coming up for renewal.

#### ***Mobile***

- *Mobile.* We aim to add mobility to our current service offering. We are in the process of developing a converged mobile proposition that makes use of our own infrastructure in and around homes, offices and public hotspots, complemented by a third party radio access network at other locations in the Netherlands. The mobile market in the Netherlands is highly competitive and we may not be able to compete successfully in this market when we enter it or realize a profitable return on our investment. See “Business—Mobile” for more information.

Any of the above factors may contribute to increased levels of competition, which may make it difficult for us to attract new subscribers and/or retain existing subscribers, thereby increasing churn levels, and may lead to less usage of our services and increased price pressure. There can be no assurance that we will be able to compete successfully against our current or future competitors in any of our businesses. Our failure to do so could have a material adverse effect on our business, financial condition and results of operations.

***Our growth prospects depend on a continued demand for information, communication and entertainment products and services and an increased demand for our bundled offerings.***

The use of internet and telecommunications services in the Netherlands has increased sharply in recent years. We have benefited from this market growth, and our own growth and profitability depend, in part, on a continued increased demand for these services. In particular, if demand for triple-play offerings does not increase as expected, this could limit our growth. Similarly, as we already have substantial television penetration in our service area, our growth depends in part upon increasing demand for digital pay TV services from our existing subscribers. If our growth is limited by any of these factors, this could adversely affect future prospects.

***Our business is concentrated in the Netherlands.***

We operate exclusively in the Dutch market and our success is therefore closely tied to general economic developments in the Netherlands and cannot be offset by developments in other markets. Negative developments in or the general weakness of the Dutch economy, in particular increasing levels of unemployment, including any negative developments arising from the Eurozone debt crisis, may have a direct adverse impact on the spending patterns of retail consumers, both in terms of the products they subscribe for and usage levels. Because a substantial portion of our revenue is derived from consumer subscribers who may be impacted by these conditions, it may be (i) more difficult to attract new subscribers, (ii) more likely that a certain number of our subscribers will downgrade or disconnect their services and (iii) more difficult to maintain or increase ARPU. In addition, we can provide no assurances that deterioration of the economy will not lead to a higher number of non-paying subscribers or generally result in service disconnections. Therefore, a weak economy and negative economic development may jeopardize our growth targets and could limit our future prospects.

***We may not be able to successfully introduce new or modified services or respond to technological developments.***

The television, broadband internet, telephony and entertainment services industries face challenges that include the following:

- rapid and significant technological change;
- changes in usage patterns and customer needs and priorities;
- frequent introduction of new products and services or upgrading of existing products and services in connection with new technologies; and
- introduction of new industry standards and practices that render current company technologies and systems obsolete.

It is difficult to predict the effect of technological innovations on our business. We may be unable to integrate successfully new technologies or adapt to new or existing technologies to meet customer needs within an appropriate time frame. Any such inability could have a material adverse effect on our business, financial condition and results of operations.

## **Risks Related to Our Business, Strategy and Operations**

***Churn may adversely affect our business.***

Churn is a measure of the discontinuation of the provision of a service to a subscriber. Churn arises mainly as a result of competitive influences, relocation of subscribers, mortality and price increases. In addition, our churn rate may also increase if we are unable to deliver satisfactory services over our network. For example, any interruption of our services or the removal or unavailability of programming, which may not be under our control, could contribute to increased churn. In addition, increased pressure on customer service could contribute to churn. See “—Pressure on customer service could adversely affect our business” below. Churn could have a material adverse effect on revenues and an even greater impact on margins due to the fixed-costs nature of our business.

In addition, customer loss may result from the termination of agreements in relation to a number of third-party networks, through which we also deliver our services. Total homes passed by these third-party networks amounted to approximately 127,000 as at December 31, 2011. Termination of any agreements with these third parties may lead to the loss of subscribers in those areas. The largest of our third-party network providers, Cogas, with approximately 89,000 homes passed as at December 31, 2011, has announced a joint venture with CIF, which will roll out fiber in the Cogas service area next to the



HFC infrastructure over which we offer our services. It is not known whether this will lead to the termination of our agreement with Cogas, which has a notice period of two years. If the agreement were terminated, we estimate (based on our results for 2011) that we could lose revenue of approximately €17 million and EBITDA of approximately €10 million, which would have an adverse effect on our results of operations.

***Pressure on customer service could adversely affect our business.***

The volume of contacts handled by our customer service functions can vary considerably over time. During 2008, we introduced our single brand, changed our billing process, rolled out our All-in-1 bundle across our network and migrated all of our customer data to one unified database. These changes initially placed significant pressure on our customer service functions. Since that time, our customer care call volume has decreased and customer surveys have shown increased levels of satisfaction. During the summer of 2011, we encountered significant pressure on our customer service functions as a result of a successful sales campaign and the introduction of a new TV proposition. See “Business—Customer Services”. Further improvements may be necessary if we are to achieve desired growth levels, and, if we fail to manage such improvements and growth effectively, we may in the future experience customer service problems, which could damage our reputation, contribute to increased churn and/or limit or slow our future growth.

***We do not have guaranteed access to television content and are dependent on our agreements, relationships and cooperation with content providers, including broadcasters and collective rights associations.***

The success of our business depends on, among other things, the quality and variety of the television content delivered to our customers. We do not produce our own content and depend on our agreements, relationships and cooperation with broadcasters and collective rights associations. For the provision of content distributed via our HFC network, we have entered into license agreements with public and commercial broadcasters and collective rights associations for the analog and digital carriage of their signals. As we depend upon such broadcasters for the provision of content to attract customers, content providers may have considerable power to renegotiate the fees we charge for the carriage of their products and the license fees we pay them. Since most of these distribution contracts need to be renewed on a yearly basis, we may be unable to renegotiate them on terms that are similar to those of the current contracts, which could result in an increase in our content costs. In addition, content providers and broadcasters may elect to distribute their content exclusively through other distribution platforms, such as satellite, digital terrestrial broadcasting or internet based platforms, or other distributors.

We also receive content for our digital pay TV services pursuant to licenses with content providers. We intend to negotiate additional access to content to expand our digital pay TV product range. Rights with respect to premium and/or high definition content may in the future be obtained by our competitors on an exclusive basis and, as a result, may not be available to us. As we continue to develop our on-demand and other interactive services, our ability to source content will be increasingly important and will depend on our ability to maintain relationships and cooperation with content providers and broadcasters for both standard and high definition content.

If we are unable to obtain or retain attractively priced competitive content on our network, demand for our existing and future TV services could decrease, thereby limiting our ability to maintain or increase revenues from these services. We do not offer other services such as digital pay TV, broadband internet and telephony to homes that do not have standard TV (except in limited cases where our services are offered over third-party networks and another operator offers analog television services). The loss of content could have an adverse effect on our business, financial condition and results of operations.

***We are subject to increases in operating costs and inflation risks which may adversely affect our earnings.***

While we attempt to increase our subscription fees to offset increases in operating costs, there is no assurance that we will be able to do so. Therefore, operating costs may rise faster than associated revenues, resulting in a material negative impact on our cash flow and net earnings. If inflation were to increase, we could be negatively impacted by inflationary increases in salaries, wages, benefits and other administrative costs if we were not able to increase our subscription fees, which in turn could have a material adverse effect on our business, financial condition and results of operations.

***The continuity of our services is highly dependent on the proper functioning of our network and IT infrastructure, and any failure in the network or such infrastructure could materially adversely affect our business, financial condition or results of operations.***

The continuity of our day-to-day operations is highly dependent on the proper functioning of our IT infrastructure and our HFC network. If any part of our IT infrastructure or HFC network is compromised or damaged by flood, fire or other natural disaster, terrorism, illegal piracy, power loss, system failure, denial-of-service attack or other catastrophe, our operations and customer relations could be materially adversely affected. Disaster recovery, security and service continuity protection measures that we currently have or may in the future undertake, and our monitoring of network performance, may be insufficient to prevent losses. While we have insurance coverage for fixed assets such as technical and office equipment in our network operating center, network hubs, network headends and office locations, this insurance covers property damage within specified insured locations. We do not have insurance for all risks of property damage to our network because we believe that our network includes redundant capacity that in most cases can be utilized to maintain service in the case of damage to a portion of our network. However, any catastrophe or other damage that affects our network could result in substantial uninsured losses and, in some cases, an interruption of our service, which in turn could have an adverse effect on our reputation, operational continuity, financial condition and results of operation.

In addition, our business is dependent on sophisticated critical systems, such as our national operation center, customer service systems and billing systems. Despite the presence of back-up systems, we can provide no assurances that our network and technical systems will not be damaged by physical or electronic break downs, computer viruses or similar disruptions. In addition, unforeseen problems may create disruptions in our information technology systems. There can be no assurance that our existing security system, security policy, back-up systems, physical access security and access protection, user administration and emergency plans will be sufficient to prevent data loss or minimize network downtime. Sustained or repeated disruptions or damage to the network and technical systems that prevent, interrupt, delay or make it more difficult for us to provide products and services to our customers in accordance with the agreements we have with our customers may trigger claims for payment of damages or contractual remedies and would cause considerable damage to our reputation, lead to the loss of customers, decrease revenues and require repairs, all of which could have an adverse effect on our business, financial condition and results of operations.

***Leakage of sensitive customer data may violate laws and regulations that could result in fines, loss of reputation and churn.***

We accumulate, store and use in our operating business data which is protected by data protection laws. Dutch data protection authorities have the right to audit us and impose fines if they find we have not complied with the applicable laws and adequately protected customer data. New regulations are expected this year in relation to the consequences of data leakage. Although we take precautions to protect customer data in accordance with the applicable Dutch privacy requirements, it is possible that there may be leakages in the future. We work with third-party service providers, such as for the provision of call center services and SaaS (Software as a Service) contractors, and although our contracts with them restrict the usage of customer data and impose protective precautions, there is no assurance that they will abide by the contractual terms or that the contracts will be found to be in compliance with data protection laws. Violation of data protection laws may result in fines, loss of reputation and churn, which could have an adverse effect on our business and results of operation.

***We depend on third-party providers of hardware, software and customer support and other services.***

We have important relationships with several third-party providers of hardware, software and services that we use to operate our HFC network and systems. We also outsource our inbound and outbound telesales to external service providers and supplement our internal customer care capacity with outsourced capacity when it is cost-effective to do so. In many cases, we have made substantial investments in the equipment or software of a particular provider or have limited choices where the number of providers of a particular service are small, making it difficult for us to quickly change supply, maintenance or other essential relationships in the event that our provider refuses to offer us favorable prices, ceases to produce equipment or provide the support that we require or ceases to provide satisfactory customer service. In the event that hardware or software products are defective or related services and customer service are unsatisfactory, it may be difficult or impossible to enforce recourse claims against providers, especially if the warranties included in contracts and service level agreements with our customers (including those



mandated or implied by applicable law) exceed those in contracts with our providers or if the services provided do not otherwise comply with the terms of those contracts or service level agreements. Our ability to recover from providers in such cases or in other situations may also be limited if the providers become insolvent, in whole or in part. In addition, there can be no assurances that we will be able to obtain, in a timely manner, at competitive terms and in adequate amounts, the hardware, software and services we need for the operation of our business. The occurrence of any of these risks may create technical problems, damage our reputation and result in the loss of customers, which could have an adverse effect on our business and results of operations.

***Strikes, work stoppages and other industrial actions could disrupt our operations or make it more costly to operate our facilities.***

We are exposed to the risk of strikes, work stoppages and other industrial actions. We estimate that a small percentage of our employees are members of labor unions. In the future we may experience lengthy consultations with labor unions and works councils or strikes, work stoppages or other industrial actions. During 2011, 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, 2011 to April 1, 2012 and applies to approximately 95% of our employees (including non-union employees). It provides, among other things, for an annual salary increase of 1.5%, a one-off payment in January 2012 of 0.5% of the salary and a structural increase of the Company's results-related bonus of 2.5 to 3.0% for these employees. Strikes and other industrial actions, as well as the negotiation of new collective bargaining agreements or salary increases in the future, could disrupt our operations and make it more costly to operate our facilities. See "Management, Supervisory Board and Employees—Employees and Pension Obligations". In addition, strikes called by employees of any of our key providers of materials or services could result in interruptions in the performance of our services. The occurrence of any of the above risks could have a material adverse effect on our business, financial condition and results of operations.

***We may not be able to retain and/or attract personnel who are key to our business.***

We have experienced employees at both the corporate and operational levels who possess substantial knowledge of our business and operations. There can be no assurance that we will be successful in retaining their services or that we would be successful in hiring and training suitable replacements without undue costs or delays. As a result, the loss of any of these key employees could cause significant disruptions in our business operations.

***Our television service quality could be negatively impacted by interference from mobile network operators.***

The quality of our television service depends on the unimpeded delivery of our signal through our HFC network and customers' set-top boxes and television sets. Radio signals may interfere with the delivery of our signal and cause disruptions in the quality of our television service. In particular, radio frequencies that were historically used for the provision of analog terrestrial television will become available in the Netherlands for other uses and are planned to be publicly auctioned for mobile network services in 2012. Tests have shown that the radio signal in the available frequencies may interfere with in-home networks and devices in the customer premises (television sets, set-top boxes) that use our signal delivery. If the spectrum is used for mobile network, some of our customers may experience interference or service outages if their set-top boxes and television sets do not have improved shielding against interference. Customer satisfaction may be negatively impacted and, as a result, we may lose subscribers, which could have a material adverse effect on our business, financial condition and results of operations.

***We operate in a capital-intensive business with rapidly changing technology that may result in depreciation or impairment costs or prevent us from generating positive returns.***

The television, broadband internet and telephony businesses in which we operate are capital intensive. Significant capital expenditures are required to add customers to our network, including expenditures for equipment and labor costs. In addition, accelerated growth in internet usage by our customers may require us to invest in the capacity of our network at a faster pace than according to our plan. No assurance can be given that our future upgrades will generate a positive return or that we will have adequate capital available to finance such future upgrades. In addition, rapidly changing technology requires careful review of life cycles for our assets and may result in additional depreciation or impairment costs. If we are unable to, or elect not to, pay for costs associated with adding new customers, expanding or upgrading our

network or making our other planned or unplanned capital expenditures, or if we experience unexpected material depreciation or impairment costs, or do not manage our project portfolio effectively to ensure the proper allocation of resources between projects, our growth could be limited and our competitive position could be harmed.

### **Risks Related to Legislative, Regulatory and Tax Matters**

*We are subject to significant government regulation and supervision, which may increase our costs and otherwise adversely affect our business, and further changes could also adversely affect our business.*

The television, broadband internet and telephony markets in which we operate are regulated more extensively than many other industries. We are subject to extensive supervision and regulation by various Dutch regulatory authorities, especially OPTA, the Dutch Media Authority, Consumer Data Protection Agency and the Radiocommunications Agency (*Agentschap Telecom*), as well as European Union authorities. Such governmental regulation and supervision, as well as future changes in laws, regulations or government policy (or in the interpretation of existing laws or regulations) that affect us, our competitors or our industry, generally strongly influence how we operate and will operate our business. Adverse regulatory developments could expose our business to a number of risks. Regulation could limit growth, revenues and the number and types of services offered and could lead to increased operating costs and capital expenditure. In addition, regulation may restrict our operations and subject us to further competitive pressure, including pricing restrictions, interconnection and other access obligations, obligations to protect consumer interests, and restrictions or controls on content. Failure to comply with current or future regulation could expose our business to various sanctions, including fines.

Regulation of our services includes and may include, *inter alia*, price controls, service quality standards requirements to protect consumers' interests and to carry specified programming, requirements to grant network access to competitors and content providers and programming content restrictions. In particular, we are subject to:

- rules regarding licensing, authorizations, declarations, frequency allocations and other regulatory permits, certificates and notices;
- rules regarding the interconnection of our network with those of other network operators;
- requirements that a network operator carry certain channels (the must carry obligation) and follow the advice of Programme Councils;
- rules relating to data protection, consumer protection and e-commerce;
- rules in relation to ISPs;
- rules regarding the fair, reasonable and non-discriminatory treatment of broadcasters; and
- other requirements covering a variety of operational areas such as environmental protection, wiretapping, data retention and technical standards.

Complying with existing regulations is burdensome, and future changes may increase our operational and administrative expenses and limit our revenues, which in turn could have a material adverse effect on our business, financial condition and results of operations.

#### *Amendments to existing legislation imposing access and resale obligations.*

In addition, on June 22, 2011 the Lower Chamber of the Dutch Parliament (*Tweede Kamer*) adopted several proposed amendments to the Telecommunication Act and the Media Act in order to implement the new European Regulatory Framework. These proposed amendments also contain provisions requiring operators that are subject to must-carry obligations to resell their radio and TV services at cost-oriented prices. Furthermore, under the proposed amendments OPTA will be granted the power to impose access obligations at the wholesale level on companies that are found to have significant market power in the retail markets for the provision of radio and TV services. In addition, OPTA will be obliged to also impose resell obligations at the wholesale level on those companies. The proposed amendments to the Telecommunication Act may expose us to future access and resell obligations if we are found to have significant market power in the retail markets for the provision of radio and TV services in the future. The proposed amendment with regard to the Media Act may expose us to resell obligations if the amendments are adopted by the First Chamber of Parliament (*Eerste Kamer*) and subsequently enacted. The final plenary debate in the First Chamber is scheduled for April 3, 2012. The proposed amendments

would also need to be in conformity with the European Regulatory Framework in order to be valid and effective.

***We have been found in the past, and in the future may be found, to have significant market power in the markets in which we operate, the regulation of which may adversely affect our business.***

The European Regulatory Framework for Electronic Communications Networks and Services provides a foundation to impose measures on entities deemed to have significant market power (“SMP”) in any of the markets in which they operate. OPTA has determined in the past that we have had SMP in certain markets, and there is a significant risk that we could be found to have SMP in one or more of the markets in which we operate in the future.

For example, in March 2009, OPTA published a decision finding that we had SMP in the wholesale broadcasting market and requiring us to allow third-party providers to resell our analog TV service and to use our network for digital TV services. However, this decision was overturned by the Trade and Industry Appeals Tribunal in August 2010, resulting in the nullification of these requirements. No appeal is possible from this decision.

However, regulatory changes in relation to certain other markets are ongoing and could adversely affect our competitive position and profits in the future. In July 2010, OPTA adopted a market analysis decision concluding that all providers of call termination on fixed-line and mobile networks in the Netherlands have SMP. As a result, from July 7, 2010 until July 7, 2013, we are subject to obligations regarding access, transparency (i.e., publication of a reference offer) and significant reductions in fixed terminating tariffs. Following an appeal by us and others, the Trade and Industry Appeal Tribunal rendered a ruling in August 2011 finding that the cost model adopted by OPTA was too strict. For mobile termination, the court adjusted the tariff caps in the transitional period and the tariff for the final year. For fixed termination and interconnection charges, the court ordered OPTA to adopt a new decision not later than January 1, 2012, taking the court’s ruling into account. OPTA adopted a new draft decision for fixed and mobile termination and interconnection charges on November 7, 2011 for which the consultation period lapsed on December 19, 2011. The draft decision was notified to the European Commission on January 12, 2012 and includes a maximum charge for fixed termination of €0.0037 per minute. On February 13, 2012, the Commission informed OPTA that it has serious doubts about the compatibility of the decision with European Law and started an in-depth investigation. It is expected that OPTA will amend its decision after receiving the comments of the European Commission and will adopt a final decision in the course of this year.

In addition, on December 20, 2011, OPTA published its final conclusions regarding the broadcasting markets, which concluded that access obligations and certain other obligations for cable network operators are no longer required. OPTA concluded in its final conclusions that there is currently no party with SMP in the broadcasting markets. Several market participants have lodged an appeal against OPTA’s decision not to impose obligations on cable operators.

Furthermore, we may not be able to successfully expand our business by means of mergers or acquisitions in markets in which we are found to have SMP or would obtain SMP as the result of a given merger or acquisition. Depending on OPTA’s new market analysis decisions regarding the next three years, it may become more difficult for us to obtain clearance from relevant competition authorities for acquisitions of (joint) control over other parties active in the distribution of television signals and/or bundled multi-play packages.

For further details on the paragraphs above and regulation of our markets in the Netherlands more generally, see “Regulation—The Netherlands”.

Any finding that we have SMP in one or more of the markets in which we operate or limitations on our ability to expand could have a material adverse effect on our business, financial condition and results of operations.

***Adverse decisions of tax authorities or changes in tax treaties, laws, rules or interpretations could have a material adverse effect on our results of operations and cash flow.***

The tax laws and regulations in the Netherlands may be subject to change and there may be changes in interpretation and enforcement of tax law. As a result, we may face increases in taxes payable if tax rates increase, or if tax laws and regulations are modified by the competent authorities in an adverse manner.

We regularly assess the likelihood of such outcomes and have established tax allowances which represent management's best estimate of the potential assessments. The resolution of any of these tax matters could differ from the amount reserved, which could have a material adverse effect on our cash flows, business, financial condition and results of operations for any affected reporting period.

### **Risks Related to Our Financial Profile**

*Our significant leverage could affect our financial health and our ability to operate our business and raise additional capital to fund our operations.*

We have a substantial amount of outstanding indebtedness with significant debt service requirements. As at December 31, 2011, our total net non-current debt, which represents the combined book value of the Group's debt, was €3,257.2 million, not including loans totaling €2,281.2 million from our indirect parent company Even Investments 2 S.à r.l., which will be converted to shares and share premium on implementation of the Restructuring. See "Certain Relationships and Related Party Transactions—Selling Shareholders—Restructuring".

Our significant leverage could have negative consequences, including:

- making it more difficult for us to satisfy our obligations with respect to our indebtedness, including restrictive covenants and borrowing conditions under our debt instruments, the breach of which could result in an event of default under those instruments;
- requiring us to dedicate a substantial portion of our cash flow from operations to payments on our debt, thus reducing the availability of our cash flow to fund internal growth through working capital and capital expenditures and for other general corporate purposes;
- increasing our vulnerability to a downturn in our business or economic or industry conditions;
- placing us at a competitive disadvantage compared to competitors that have less debt in relation to cash flow;
- limiting our flexibility in planning for or reacting to changes in our business and our industry;
- restricting us from exploiting certain business opportunities or making acquisitions or investments; and
- limiting, among other things, our ability to borrow additional funds or raise equity capital in the future, and increasing the costs of such additional financings if interest rates increase,

any of which could have a material adverse effect on our business, financial condition and results of operations.

*Despite our high level of indebtedness, we and our subsidiaries will still be able to and may incur significant additional amounts of debt. If we decide to incur significant additional debt, this could further exacerbate the risks associated with our substantial indebtedness.*

Although our debt instruments contain restrictions on our ability to incur additional indebtedness, these restrictions are subject to a number of significant qualifications and exceptions, and under certain circumstances the amount of indebtedness that could be incurred in compliance with these restrictions could be substantial. If we decide to add new debt to our and our subsidiaries' existing debt levels, the related risks that we now face would increase. In addition, our debt instruments do not prevent us from incurring obligations that do not constitute indebtedness under those agreements.

*We are exposed to interest rate risks. Shifts in such rates may adversely affect our debt service obligations.*

We are exposed to the risk of fluctuations in interest rates under certain of our debt instruments. Although we enter into various derivative transactions with a view to managing exposure to movements in interest rates in respect of approximately two thirds of our floating interest rate debt, there can be no assurance that we will be able to fully manage our exposure or to continue to do so at a reasonable cost. As at December 31, 2011, a total nominal amount of €1,000 million or approximately 72% of our floating interest rate debt, was hedged at fixed interest rates of 3.55% to 3.59% in contracts that will expire by March 31, 2014. As a consequence, 28% of our floating interest rate debt was exposed to fluctuations in interest rates as at December 31, 2011. In January 2012, we entered into new interest rate swaps for a total nominal amount of €500 million that become effective on the expiration date of the existing swaps on March 31, 2014, and have the same maturity date (March 2017) as the majority of our existing floating rate

debt. These new interest rate swaps hedge our floating Euribor exposure at a fixed interest rate of 1.974%. If we maintain our current level of floating interest rate debt and do not enter into additional interest rate swaps covering the period beyond March 2014, the proportion hedged at fixed rates will decrease when our existing swaps expire in March 2014. This would then result in a higher exposure to fluctuations in Euribor from March 2014 onwards.

***Restrictive covenants in our debt instruments may restrict our ability to operate our business. Our failure to comply with these covenants could constitute events of default under those agreements that could materially and adversely affect our financial condition and results of operations.***

Our debt instruments contain covenants restricting, among other things, our ability to:

- make acquisitions or investments;
- make loans or otherwise extend credit to others;
- incur indebtedness or issue guarantees or preferred stock;
- create security;
- pay dividends and make other restricted payments;
- sell, lease, transfer or dispose of assets;
- transfer all or substantially all our assets or merge or consolidate with other companies;
- make a substantial change to the general nature of our business.
- create or incur liens;
- agree to limitations on the ability of our subsidiaries to pay dividends or make other distributions; and
- enter into transactions with affiliates.

Certain of our debt instruments also require us to comply with certain affirmative covenants and certain specified financial covenants and ratios. In addition, our senior credit facilities are secured by mortgages on all our registered properties and related movable assets as well as network-related elements. See “Material Contracts” and “Operating and Financial Review”.

The above restrictions could affect our ability to operate our business and may limit our ability to react to market conditions or take advantage of potential business opportunities as they arise. For example, such restrictions could adversely affect our ability to finance our operations, make strategic acquisitions, investments or alliances, restructure our organization or finance our capital needs. Additionally, our ability to comply with these covenants and restrictions may be affected by events beyond our control. These include prevailing economic, financial and industry conditions. If we breach any of these covenants or restrictions, we could be in default under one or more of our debt instruments which, if not cured or waived, could result in acceleration of the indebtedness under such agreements and cross defaults under our other debt instruments. Any such actions could result in the enforcement of our lenders’ security interests and/or force us into bankruptcy or liquidation, which could have a material adverse effect on our business, financial condition and results of operations.

***We may be subject to foreign exchange risk arising from various currency exposures, primarily with respect to the euro and the US dollar.***

A certain portion of our purchases is executed in foreign currency, predominantly in US dollars, exposing us to the effects of currency fluctuations between the US dollar and the euro. While we may hedge certain large seasonal purchases, we generally do not hedge our exposure to such fluctuations. These fluctuations could have a material adverse effect on our business, financial condition or results of operations.

***Negative changes in our credit rating may have a material adverse effect on our financial condition.***

A downgrade in our credit rating may negatively affect our ability to obtain funds from financial institutions, retain investors and banks and may increase our financing costs by increasing the interest rates of our outstanding debt or the interest rates at which the Company is able to refinance existing debt or incur new debt.



## **Risks Relating to the Offering and the Ordinary Shares**

*The interests of the Selling Shareholders may be inconsistent with the interests of our other Shareholders.*

Immediately after the closing of the Offering, each of Cinven Cable Investments S.à r.l. and WP Holdings IV B.V. will still hold an interest in the Company as set out in the Ownership Table in “Certain Relationships and Related Party Transactions—Holdings Immediately Prior to and After the Offering”. As a result, Cinven Cable Investments S.à r.l. and WP Holdings IV B.V. will continue to be able to influence or control matters requiring approval by the General Meeting and may vote their Ordinary Shares in a way with which other Shareholders do not agree. Moreover, pursuant to the shareholders agreement between Cinven Cable Investments S.à r.l. and WP Holdings IV B.V. which contains certain arrangements in relation to the exercise of their voting rights in the Company, Cinven Cable Investments S.à r.l. and WP Holdings IV B.V. have agreed to qualify as parties acting in concert as per the First Trading Date, subject to the terms of the shareholders agreement. See “Certain Relationships and Related Party Transactions—Related Party Transactions—Shareholders’ Agreement”. In addition, each of Cinven Cable Investments S.à r.l. and WP Holdings IV B.V. will have the right to designate two individuals for nomination by the Supervisory Board as replacements for the members of the Supervisory Board appointed by the General Meeting per their designation as Cinven Supervisory Board member, or Warburg Pincus Supervisory Board member, as the case may be. This right will lapse if the percentage of Ordinary Shares held (directly or indirectly) by the Cinven Group or the Warburg Pincus Group (both as defined under the relationship agreement), respectively, falls below certain thresholds. See “Certain Relationships and Related Party Transactions—Related Party Transactions—Relationship Agreement”. As a result, each of Cinven Cable Investments S.à r.l. and WP Holdings IV B.V. will be able to influence certain of our corporate and management decisions, including the declaration of dividends and sales or acquisitions of assets. See “Management, Supervisory Board and Employees—Management Board—Powers, Composition and Functioning—Meetings and Decision Making” for a full list of Management Board resolutions that require the prior approval of the Supervisory Board. Under the Articles of Association, the power to appoint, suspend and/or dismiss a member of the Management Board rests with the Supervisory Board. The Supervisory Board also has the power to suspend a member of the Supervisory Board. Furthermore, the Shareholders can only dismiss the Supervisory Board in its entirety, for lack of confidence, by an absolute majority of the votes cast in a general meeting of Shareholders, representing at least one-third of the issued share capital. See “Management, Supervisory Board and Employees—Management Board—Powers, Composition and Functioning—Appointment, Dismissal and Suspension” and “Management, Supervisory Board and Employees—Supervisory Board—Powers, Composition and Functioning—Appointment, Dismissal and Suspension”. As a result thereof and in light of the abovementioned designation rights of Cinven Cable Investments S.à r.l. and WP Holdings IV B.V. in respect of the constitution of the Supervisory Board, the rights of the Shareholders will be limited accordingly. The interests of Cinven Cable Investments S.à r.l. and WP Holdings IV B.V. may not always coincide with the interests of our other Shareholders. In addition, Cinven Cable Investments S.à r.l. and WP Holdings IV B.V. and/or their respective affiliates may, in the future, own businesses that directly compete with ours.

*There has been no public trading market for the Ordinary Shares and the market price of the Ordinary Shares may be volatile.*

Prior to the Offering, there has been no public trading market for the Ordinary Shares. There can be no assurance that an active trading market will develop or, if it does develop, that it will be maintained. The trading price of the Ordinary Shares may be subject to wide fluctuations in response to many factors, including equity market fluctuations, general economic conditions and regulatory changes which may adversely affect the market price of the Ordinary Shares, regardless of the Company’s actual performance or conditions in its key markets.

Moreover, the Offer Price will be determined by Cinven Cable Investments S.à r.l. and WP Holdings IV B.V., in consultation with the Company following recommendations from the Joint Bookrunners, taking into account a number of factors, including market conditions in effect at the time of the Offering, which may not be indicative of future performance. The Offer Price Range is an indicative price range. The Offer Price may be higher than the maximum price as set in the Offer Price Range. See “The Offering—Offer Price and Number of Offer Shares”. The market price of the Ordinary Shares may fall below the Offer Price. The market price of the Ordinary Shares could also fluctuate substantially due to various factors, some of which could be specific to the Company and its operations and some of which could be related to

the telecommunications industry and equity markets generally. The Company therefore cannot guarantee that investors will be able to resell the Ordinary Shares at or above the Offer Price.

***Future sales, or the possibility of future sales, of a substantial number of Ordinary Shares could depress the market price of the Ordinary Shares.***

Following the Offering, sales of a substantial number of Ordinary Shares in the public market, or the perception that such sales may occur, could adversely affect the market price for the Ordinary Shares. Although the Management Selling Shareholders (excluding the Former Management Selling Shareholders) and the other Selling Shareholders (including the Former Management Selling Shareholders) have agreed to certain restrictions on selling or otherwise disposing of Ordinary Shares for lock-up periods of 365 days and of 180 days, respectively, after the Settlement Date, the Ordinary Shares held by the Management Selling Shareholders and the other Selling Shareholders upon expiry of such periods will thereafter be freely transferable, subject to certain orderly market arrangements as set out in the Co-investor Agreements and the Shareholders' Agreement. See "Certain Relationships and Related Party Transactions—Related Party Transactions—Co-investor Agreements".

***We may in the future seek to raise capital by conducting equity offerings, which may dilute investors' shareholdings.***

After the implementation of the Restructuring prior to the closing of the Offering, the Management Board will be designated as the authorized body, subject to the approval of the Supervisory Board, to issue Ordinary Shares for a period of 18 months. In accordance with Dutch law such period may not exceed five years. Pursuant to such designation, the Management Board may resolve to issue Ordinary Shares to a maximum of 10% of the issued and outstanding share capital of the Company at the time of issue.

We may in the future seek to raise capital through public or private debt or equity financings by issuing additional Ordinary Shares or other shares, debt or equity securities convertible into Ordinary Shares or rights to acquire these securities and exclude the pre-emptive rights pertaining to the then outstanding Ordinary Shares. Any additional capital raised through the issue of additional Ordinary Shares may dilute an investor's shareholding interest in the Company. Furthermore, any additional financing the Group may need may not be available on terms favorable to the Group or at all, which could adversely affect our future plans. Any additional offering of Ordinary Shares by us, or the public perception that an offering may occur, could also have a negative impact on the trading price of the Ordinary Shares and could increase the volatility in the trading price of the Ordinary Shares.

***Our ability to pay dividends to Shareholders may be constrained.***

Our ability to pay dividends to Shareholders is dependent on our dividend policy, which targets an initial payout of €220 million for the year 2012 and at least 50% of free cash flow to equity ("FCFE") for the year 2013 and later, and may be constrained by certain legal and financial restrictions in the debt instruments of our subsidiaries, including the Senior Credit Agreement, 6 $\frac{1}{8}$ % Senior Secured Notes and 8% Senior Unsecured Notes. See "Dividend Policy".

The above financing arrangements of our subsidiaries contain restrictions on their ability to pay dividends and lend funds to us. We are a holding company and our ability to generate income and pay dividends is dependent on the ability of our subsidiaries to declare and pay dividends or lend funds to us.

The actual payment of future dividends by us and the payment of dividends to us by our subsidiaries, if any, and the amounts thereof, will depend on a number of factors, including (but not limited to) the amount of distributable profits and reserves and investment plans, earnings, level of profitability, ratio of debt to equity, credit ratings, applicable restrictions on the payment of dividends under applicable laws, compliance with covenants in our debt instruments, the level of dividends paid by other comparable listed companies doing business in the Netherlands and such other factors as the Management Board and Supervisory Board may deem relevant from time to time. As a result, our ability to pay dividends in the future may be limited and/or our dividend policy may change. If dividends are not paid in the future, capital appreciation, if any, of the Ordinary Shares would be investors' sole source of gains.

***If the closing of the Offering does not take place on the Settlement Date or at all, purchases of the Offer Shares will be disregarded and Euronext may annul transactions that have occurred.***

Application has been made to list the Ordinary Shares on Euronext Amsterdam under the symbol "ZIGGO". We expect that the Ordinary Shares will be admitted to listing and that trading in such shares on an "if-and-when-delivered" basis will commence on the First Trading Date, prior to the closing of the



Offering on the Settlement Date. Subject to acceleration or extension of the timetable for the Offering, the Settlement Date is expected to be on or about March 26, 2012, being the third business day following the First Trading Date. The closing of the Offering may not take place on the Settlement Date or at all if certain conditions or events referred to in the underwriting agreements between the Company, the Selling Shareholders and the Joint Bookrunners on behalf of the Underwriters are not satisfied or waived or occur on or prior to such date. See “Plan of Distribution—Underwriting Arrangements”. Such conditions include the receipt of officers’ certificates and legal opinions and such events include the suspension of trading on Euronext Amsterdam or certain other markets or a material adverse change in the Company’s financial condition or business affairs or in the financial markets. Anyone that engages in trading in the Ordinary Shares on an “if-and-when-delivered” basis should note that if the closing of the Offering does not take place on the Settlement Date or at all, the Offering will be withdrawn, all subscriptions will be disregarded, any allotments made will be deemed not to have been made, all purchase and sale transactions of Ordinary Shares under the Offering will be disregarded, any payments made will be returned without interest or other compensation and Euronext may annul transactions that have occurred.

***You may be unable to effect service of process on the Company, members of our Supervisory Board and Management Board in the United States or enforce judgments obtain in U.S. courts for U.S. securities laws violations.***

The Company is organized under the laws of the Netherlands and does not have any assets in the United States. It is anticipated that some or all of the members of the Company’s Supervisory Board and Management Board will be non-residents of the United States and that all or a majority of their assets will be located outside the United States. As a result, it may not be possible for investors to effect service of process within the United States upon the Company or members of its Supervisory Board and Management Board, or to enforce any judgments obtained in U.S. courts predicated upon civil liability provisions of the U.S. securities laws. In addition, the Company cannot assure you that civil liabilities predicated upon the federal securities laws of the United States will be enforceable in the Netherlands. See “Important Information—Enforcement of Judgments”.

***Holders of Ordinary Shares outside the Netherlands may not be able to exercise pre-emptive rights in future offerings.***

In the event of an increase in our Ordinary Share capital, holders of Ordinary Shares are generally entitled to full pre-emptive rights unless these rights are restricted or excluded either by a resolution of the General Meeting at the proposal of the Management Board, with the approval of the Supervisory Board, or by a resolution of the Management Board with the approval of the Supervisory Board (if the Management Board has been designated by the General Meeting or the Articles of Association for this purpose). However, certain holders of Ordinary Shares outside the Netherlands may not be able to exercise pre-emptive rights unless local securities laws have been complied with.

US holders of Ordinary Shares may not be able to exercise their pre-emptive rights or participate in a rights offer, as the case may be, unless such rights and Ordinary Shares are registered under the US Securities Act or an exemption from the registration requirements is available. We intend to evaluate at the time of any issue of Ordinary Shares subject to pre-emptive rights or in a rights offer, as the case may be, the costs and potential liabilities associated with any such registration or other means of making the rights available to US holders, as well as the indirect benefits to it of enabling the exercise of US holders of their pre-emptive rights to Ordinary Shares or participation in a rights offer, as the case may be, and any other factors considered appropriate at the time and then to make a decision as to whether to file such a registration statement or take other steps to enable such holders to participate in the rights offer.

***Investors with a reference currency other than the euro will become subject to foreign exchange risks when investing in the Ordinary Shares.***

Our Ordinary Shares are denominated in and will trade in euro, and all dividends on the Ordinary Shares will be paid by us in euro. Investors whose reference currency is a currency other than the euro may be adversely affected by any reduction in the value of the euro relative to the value of the investor’s reference currency. In addition, such investors could incur additional transaction costs in converting euro into another currency. Investors whose reference currency is a currency other than euro are therefore urged to consult their financial advisers.

## IMPORTANT INFORMATION

### General

Investors should rely only on the information in this Prospectus. No person has been authorized to give any information or to make any representations in connection with the Offering, other than those contained in this Prospectus and, if given or made, such information or representations must not be relied upon as having been authorized by or on behalf of the Company, the members of its Supervisory Board and Management Board, the Selling Shareholders, or any of the Underwriters. No representation or warranty, express or implied, is made by any of the Underwriters or any selling agent as to the accuracy or completeness of such information, and nothing contained in this Prospectus is, or shall be relied upon as, a promise or representation by any of the Underwriters or any selling agent as to the past, present or future. Without prejudice to any obligation of the Company to publish a supplementary prospectus pursuant to the Dutch Financial Supervision Act, neither the delivery of this Prospectus nor any subscription or sale of Offer Shares pursuant to the Offering shall, under any circumstances, create any implication that there has been no change in the business or affairs of the Group since the date of this Prospectus or that the information contained herein is correct as at any time subsequent to its date.

If a significant new factor, material mistake or inaccuracy relating to the information included in this Prospectus, which is capable of affecting the assessment of the Offer Shares or Additional Shares, arises or is noted prior to the end of the Offer Period, a supplement to this Prospectus will be published. The Prospectus and any supplement thereto will be subject to approval by the AFM and will be made public in accordance with the relevant rules under the Dutch Financial Supervision Act. If a supplement to this Prospectus is published prior to admission, investors shall have the right to withdraw their applications for Offer Shares made prior to the publication of the supplement. Such withdrawal must be made within the time limits and in the manner set out in any such supplement (which shall not be shorter than two clear business days after publication of the supplement). For the avoidance of doubt, references in this paragraph to any supplement being published by the Company do not include the Pricing Statement.

The contents of this Prospectus are not to be construed as legal, business or tax advice. Each prospective investor should consult his or her own lawyer, financial adviser or tax adviser for legal, financial or tax advice. In making an investment decision, each investor must rely on their own examination, analysis and enquiry of the Group and the terms of the Offering, including the merits and risks involved.

This Prospectus is not intended to provide the basis of any credit or other evaluation and should not be considered as a recommendation by any of the Company, the members of its Supervisory Board and Management Board, the Selling Shareholders, or any of the Underwriters or any of their representatives that any recipient of this Prospectus should subscribe for or purchase the Offer Shares. Prior to making any decision as to whether to subscribe for or purchase the Offer Shares, prospective investors should read this Prospectus. Investors should ensure that they read the whole of this Prospectus and not just rely on key information or information summarized within it. In making an investment decision, prospective investors must rely upon their own examination of the Company and the terms of this Prospectus, including the risks involved.

Investors who subscribe for or purchase Offer Shares in the Offering will be deemed to have acknowledged that: (i) they have not relied on any of the Underwriters or any person affiliated with any of them in connection with any investigation of the accuracy of any information contained in this Prospectus or their investment decision; and (ii) they have relied on the information contained in this Prospectus, and no person has been authorized to give any information or to make any representation concerning the Group or the Offer Shares (other than as contained in this Prospectus) and, if given or made, any such other information or representation should not be relied upon as having been authorized by the Company, the members of its Supervisory Board and Management Board, the Selling Shareholders or any of the Underwriters.

None of the Company, the members of its Supervisory Board and Management Board, the Selling Shareholders or any of the Underwriters or any of their representatives is making any representation to any offeree, subscriber or purchaser of the Offer Shares regarding the legality of an investment by such offeree, subscriber or purchaser.

In connection with the Offering, the Underwriters and any of their respective affiliates, acting as investors for their own accounts, may subscribe for and/or acquire Offer Shares and in that capacity may retain, purchase, sell, offer to sell or otherwise deal for their own accounts in such Offer Shares and other securities of the Company or related investments in connection with the Offering or otherwise.

Accordingly, references in this Prospectus to the Offer Shares being issued, offered, subscribed, acquired, placed or otherwise dealt in should be read as including any issue or offer to, or subscription, acquisition, dealing or placing by, the Underwriters and any of their affiliates acting as investors for their own accounts. None of the Underwriters intends to disclose the extent of any such investment or transactions otherwise than in accordance with any legal or regulatory obligations to do so.

The Underwriters are acting exclusively for the Company and the Selling Shareholders and no one else in connection with the Offering. They will not regard any other person (whether or not a recipient of this Prospectus) as their respective customers in relation to the Offering and will not be responsible to anyone other than the Company and the Selling Shareholders for providing the protections afforded to their respective customers or for giving advice in relation to the Offering or any transaction or arrangement referred to herein.

Certain of the Underwriters and/or their respective affiliates have in the past engaged, and may in the future, from time to time, engage in commercial banking, investment banking and financial advisory and ancillary activities in the ordinary course of their business with the Company and/or the Selling Shareholders or any parties related to any of them, in respect of which they have and may in the future, receive customary fees and commissions. As a result of these transactions, these parties may have interests that may not be aligned, or could possibly conflict with the interests of investors.

### **Responsibility Statement**

The Company accepts responsibility for the information contained in this Prospectus. The Company declares that it has taken all reasonable care to ensure that, to the best of its knowledge, the information contained in this Prospectus is in accordance with the facts and contains no omission likely to affect its import.

### **Information Not Contained in this Prospectus**

No person has been authorized to give any information or make any representation other than those contained in this Prospectus and, if given or made, such information or representation must not be relied upon as having been so authorized. Neither the delivery of this Prospectus nor any subscription or sale made hereunder shall, under any circumstances, create any implication that there has been no change in the affairs of the Company since the date of this Prospectus or that the information in this Prospectus is correct as at any time subsequent to the date hereof.

### **Presentation of Financial Information**

#### ***Historical Financial Information***

Ziggo N.V. was incorporated on April 1, 2011 for the purpose of the Offering and to acquire all subsidiaries of Zesko Holding B.V. in connection with the Offering. Prior to the closing of the Offering, Ziggo N.V. will be the legal parent of existing legal entities that own and operate a broadband cable network previously owned by Zesko Holding B.V. See “Certain Relationships and Related Party Transactions—Selling Shareholders—Restructuring”.

There is no historical financial information relating to Ziggo N.V. for the years ended December 31, 2009 and 2010, and information for the year ended December 31, 2011 is limited. Prior to the closing of the Offering, Ziggo N.V. will acquire all of the issued and outstanding shares of Zesko B.V. Because of the limited historical financial information available for Ziggo N.V., we have included the following financial information in this Prospectus, beginning on page F-1:

- the audited consolidated financial statements of Zesko B.V. for the year ended December 31, 2011 (the “2011 Financial Statements”);
- the audited consolidated financial statements of Zesko B.V. for the year ended December 31, 2010 (the “2010 Financial Statements”);
- the audited consolidated financial statements of Zesko B.V. for the year ended December 31, 2009 (the “2009 Financial Statements”); and
- the audited financial statements of Ziggo N.V. as at December 31, 2011, (together, the “Financial Statements”).

The 2009 Financial Statements, 2010 Financial Statements and 2011 Financial Statements have been prepared in accordance with International Financial Reporting Standards as adopted by the European Union (“IFRS”) and with Title 9 of book 2 of the Dutch Civil Code. The audited financial statements of Ziggo N.V. as at December 31, 2011 have been prepared in accordance with Title 9 of book 2 of the Dutch Civil Code. The significant IFRS accounting policies applied in respect of our 2009 Financial Statements, 2010 Financial Statements and 2011 Financial Statements are applied consistently in the financial information derived from the 2011 Financial Statements, 2010 Financial Statements and 2009 Financial Statements and included in this Prospectus.

### ***2009 Financial Information***

The comparative information for the year ended December 31, 2009 included in the 2010 Financial Statements has been adjusted to reflect the recognition of a liability for obligations under an employee benefit plan continued by the Company following its acquisition of @Home in 2007. The adjustments resulted in a €0.4 million decrease in our EBITDA and a €0.7 million decrease in our net result for 2009, as well as a €4.7 million decrease in our equity as at December 31, 2009. See note 24 to the 2010 Financial Statements.

Financial information for the year ended December 31, 2009 included in this document has been extracted without material adjustment from the 2010 Financial Statements (rather than the 2009 Financial Statements).

### ***Pro Forma Financial Information***

This Prospectus also includes unaudited pro forma condensed consolidated financial information of Ziggo N.V. for the year ended and as at December 31, 2011 (the “Unaudited Pro Forma Condensed Consolidated Financial Information”).

### ***General***

In respect of financial information in this Prospectus, all references to the “Company”, “we”, “us” or “our” are to Zesko B.V. and its subsidiaries on a consolidated basis. Our financial results for the year ended December 31, 2011 are not necessarily indicative of our results for the full year ending December 31, 2012 or for any other interim period or financial year. Our financial year runs from January 1 to December 31.

### ***Non-IFRS Financial Measures***

This Prospectus includes certain measures that are not measures defined by IFRS (“non-IFRS measures”). These measures are EBITDA, Adjusted EBITDA, OpFCF, adjusted net income and FCFE. We use these measures to assess our financial performance, but these measures should not be used instead of or considered as alternatives to our historical financial results based on IFRS. Non-IFRS measures are unaudited. Each of the non-IFRS measures is described below.

We define “EBITDA” as operating income plus depreciation and amortization as included in the consolidated income statement in our financial information included elsewhere in this Prospectus. “Adjusted EBITDA” refers to EBITDA as adjusted to remove the effects of operating expenses incurred in connection with the integration of our predecessor businesses. We did not incur operating expenses in connection with the integration of our predecessor businesses in 2011 and do not expect to incur such expenses in 2012 or beyond.

The reconciliation of our operating income to EBITDA is as follows:

|   | <b>For the year ended December 31,</b>   |             |             |
|---|--|-------------|-------------|
|   | <b>2009<br/>(adjusted)<sup>(*)</sup></b> | <b>2010</b> | <b>2011</b> |
| Operating income . . . . .              | 171,001                                  | 272,305     | 486,649     |
| Depreciation and amortization . . . . . | 477,240                                  | 502,745     | 347,953     |
| EBITDA . . . . .                        | 648,241                                  | 775,050     | 834,602     |

We define operating free cash flow “OpFCF” as Adjusted EBITDA less capital expenditures excluding integration capital expenditure and acquisition capital expenditure. The reconciliation of our operating income to operating free cash flow is as follows:

|   | For the year ended December 31,   |              |              |
|---|-----------------------------------|--------------|--------------|
|   | 2009<br>(adjusted) <sup>(*)</sup> | 2010         | 2011         |
|   | (€ in millions)                   |              |              |
| Operating income . . . . .  | 171.0                             | 272.3        | 486.6        |
| Depreciation and amortization . . . . .   | 477.2                             | 502.7        | 348.0        |
| EBITDA (unaudited) . . . . .  | 648.2                             | 775.1        | 834.6        |
| Integration costs . . . . .   | 47.1                              | 8.2          | —            |
| Adjusted EBITDA (unaudited) . . . . .   | 695.4                             | 783.3        | 834.6        |
| Capital expenditures (excluding integration and acquisition<br>capital expenditure) . . . . . | 209.5                             | 175.2        | 242.9        |
| <b>Operating free cash flow (OpFCF) (unaudited) . . . . .</b>                                 | <b>485.9</b>                      | <b>608.1</b> | <b>591.7</b> |

“Adjusted net income” represents net result adjusted for amortization of customer lists, amortization of funding costs, impairments, costs related to integration, interest on shareholders loans and fair value gains or losses from ineffective hedge contracts under IFRS and tax effects of these adjustments. For information on the amortization of customer lists, see “Summary—Summary Financial Information—Pro Forma Financial Information”. In relation to the 6½% Senior Secured Notes and the 8% Senior Unsecured Notes, adjusted net income is cumulative from April 1, 2010. In relation to the Senior Credit Agreement, adjusted net income is cumulative from January 1, 2011. The reconciliation of our net result to adjusted net income is as follows:

|   | For the year ended<br>December 31, |              |
|---|------------------------------------|--------------|
|   | 2010                               | 2011         |
|   | (€ in millions)                    |              |
| <b>Net result . . . . .</b>   | <b>(160.7)</b>                     | <b>14.5</b>  |
| Interest on shareholder loans . . . . .   | 147.1                              | 215.9        |
| Amortization of customer list (as from 1 April 2010) . . . . .                    | 135.1                              | 44.1         |
| Impairments on tangible and intangible fixed assets . . . . .                     | 10.8                               | 1.8          |
| Amortization of financing fees, including write-offs of terminated facilities . . | 49.4                               | 14.4         |
| Integration costs . . . . .   | 7.9                                | —            |
| Fair value (gains)/losses on derivate financial instruments . . . . .             | 7.3                                | (26.2)       |
| Total adjustments excluding tax . . . . .   | 357.6                              | 250.0        |
| Tax effect on adjustments (2010: 25.5%; 2011: 25.0%) . . . . .                    | (91.1)                             | (62.5)       |
| <b>Adjusted net income (unaudited) . . . . .</b>                                  | <b>105.8</b>                       | <b>202.0</b> |



We define “FCFE”, or free cash flow to equity, as EBITDA minus capital expenditure minus movement in provisions minus change in working capital minus net interest paid minus net interest received minus taxes paid. FCFE is a non-IFRS measure and may not be comparable to similarly titled measures used by other companies. The reconciliation of our operating income to FCFE is as follows:

|  | For the year ended December 31,   |                         |              |
|--|-----------------------------------|-------------------------|--------------|
|  | 2009<br>(adjusted) <sup>(*)</sup> | 2010<br>(€ in millions) | 2011         |
| Operating income . . . . .   | 171.0                             | 272.3                   | 486.6        |
| Depreciation and amortization . . . . .  | 477.2                             | 502.7                   | 348.0        |
| EBITDA (unaudited) . . . . .   | 648.2                             | 775.1                   | 834.6        |
| Capital expenditures (including integration and excluding acquisition capital expenditure) . . . . . | 255.1                             | 202.7                   | 242.9        |
| Acquisition capital expenditure . . . . .  | —                                 | —                       | 7.4          |
| Movement in provisions . . . . .   | 5.0                               | (5.8)                   | (8.0)        |
| Change in working capital . . . . .  | 34.4                              | (13.7)                  | (6.8)        |
| Net interest paid . . . . .  | 247.4                             | 242.7                   | 267.0        |
| Net interest received . . . . .  | 1.0                               | 0.2                     | 0.5          |
| Taxes paid . . . . .   | —                                 | —                       | —            |
| <b>Free cash flow to equity (FCFE) (unaudited) . . . . .</b>   | <b>186.1</b>                      | <b>310.4</b>            | <b>303.0</b> |

We believe that EBITDA, Adjusted EBITDA, OpFCF and certain related margins (Adjusted EBITDA as a percentage of revenues, OpFCF as a percentage of revenues and OpFCF as a percentage of Adjusted EBITDA) facilitate comparisons of operating results and cash flow generation from period to period and company to company by eliminating potential differences caused by variations in tax positions (such as the impact on periods or companies of changes in effective tax rates or deferred taxes), amortization and depreciation and certain other items. These measures are commonly used to compare the operating results of cable operators. Accordingly, we believe that their presentation may enhance an investor’s understanding of our underlying financial performance. However, other cable operators may calculate these non-IFRS measures differently or may use each of them for different purposes, limiting their usefulness for comparative purposes.

### Market, Economic and Industry Data

Unless the source is otherwise stated, the market, economic and industry data in this document constitute the estimates of the members of our Supervisory Board and Management Board, using underlying data from independent third parties. The Company obtained market data and certain industry forecasts used in this document from internal surveys, reports and studies, where appropriate, as well as market research, publicly available information and industry publications, including publications and data compiled by Bloomberg, CBS, Economic Intelligence Unit, Global Insight, IDC European Telecom Services Database, NLKabel, OPTA, Screen Digest, SKO, Telecompaper, TNO.

Where third-party information has been used in this document, the source of this information has been identified.

The Company confirms that all third-party information contained in this document has been accurately reproduced and, so far as the Company is aware and able to ascertain from information published by that third party, no facts have been omitted that would render the reproduced information inaccurate or misleading.

### Exchange Rate Information

We present our consolidated information and financial statements in euro. We have set forth in the table below, for the periods and dates indicated, period average (the average of the exchange rates on the last business day of each month for annual averages and the average of the exchange rates on each business day during the relevant period for monthly averages), high, low and end exchange rates as published by Bloomberg. We have provided this exchange rate information solely for your convenience. We make no representation that any amount of currencies specified in the table below has been, or could be, converted



into the applicable currency at the rates indicated or any other rate. The exchange rate of the euro on March 5, 2012 (the latest practicable date before publication of this Prospectus) was \$1.3228 = €1.00.

| Year          | U.S.\$ per €1.00 |        |        |            |
|---------------|------------------|--------|--------|------------|
|               | Period Average   | High   | Low    | Period End |
| 2006          | 1.2566           | 1.3343 | 1.1820 | 1.3197     |
| 2007          | 1.3709           | 1.4872 | 1.2893 | 1.4589     |
| 2008          | 1.4712           | 1.5991 | 1.2453 | 1.3971     |
| 2009          | 1.3948           | 1.5134 | 1.2530 | 1.4321     |
| 2010          | 1.3266           | 1.4513 | 1.1923 | 1.3384     |
| 2011          | 1.3925           | 1.4940 | 1.2858 | 1.2961     |
| <b>Month</b>  |                  |        |        |            |
| January 2012  | 1.2906           | 1.3234 | 1.2624 | 1.3071     |
| February 2012 | 1.3238           | 1.3487 | 1.2974 | 1.3357     |

### Roundings

Certain data in this Prospectus, including financial, statistical, and operating information has been rounded. As a result of the rounding, the totals of data presented in this Prospectus may vary slightly from the actual arithmetic totals of such data. Percentages have been rounded and accordingly may not add up to 100%.

### Definitions

Unless indicated otherwise in this Prospectus or the context requires otherwise:

- all references to “Ziggo”, the “Ziggo Group”, the “Group”, “we”, “us” or “our” are to Ziggo N.V. and its consolidated subsidiaries following the Restructuring or, as applicable, to Zesko Holding B.V. and its consolidated subsidiaries prior to the Restructuring (including in respect of historical financial information in this Prospectus);
- all references to the “Company” are to Ziggo N.V., except in respect of historical financial information in this Prospectus, where all references to the “Company”, “we”, “us” or “our” are to Zesko B.V. and its subsidiaries on a consolidated basis;
- all references to “Joint Global Coordinators” are to J.P. Morgan Securities Ltd. and Morgan Stanley & Co. International plc.;
- all references to “Joint Bookrunners” are to Deutsche Bank AG, London Branch; J.P. Morgan Securities Ltd.; Morgan Stanley & Co. International plc and UBS Limited;
- all references to “Joint Lead Managers” are to ABN AMRO Bank N.V., Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., HSBC Bank Plc and Nomura International plc;
- all references to “Joint Retail Bookrunners” are to ABN AMRO Bank N.V. and Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A.;
- all references to “Co-Lead Manager” is to Société Générale;
- all references to the “Underwriters” are to J.P. Morgan Securities Ltd., Morgan Stanley & Co. International plc, Deutsche Bank AG, London Branch, UBS Limited, ABN AMRO Bank N.V., Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., HSBC Bank Plc, Nomura International plc and Société Générale;
- all references to the “@Home Business” are to the former businesses and assets of Essent Kabelcom B.V., which was merged into the Ziggo business in 2008;
- all references to “ARPU” refer to average monthly revenue per user of the relevant service for the referenced period, a measure used to evaluate how effectively we are in realizing potential revenues from subscribers. ARPU is calculated by dividing total subscription-related revenues for a period

excluding installation and carriage fees by the average number of subscribers served in the period and by the number of months in the period, as follows:

- ARPU for our digital pay TV is calculated by dividing the digital pay TV revenues for the period by the average monthly number of subscribers that have subscribed for one or more of our digital pay TV services and dividing by the number of months in that period.
- ARPU from broadband internet is calculated by dividing broadband internet consumer revenues, including revenues generated through value-added services subscriptions, for the period by the average monthly number of consumer subscribers and dividing by the number of months in that period. Value-added services subscriptions include online backup, internet security and anti-virus services.
- ARPU from telephony subscription is calculated by dividing telephony subscription consumer revenues, including value-added services subscriptions, for the period by the average monthly number of consumer subscribers and dividing by the number of months in that period. Value-added services subscriptions include second telephony lines and mobile subscriptions from the former Multikabel business.
- ARPU from telephony usage is calculated by dividing total telephony usage consumer revenues for the period by the average monthly total telephony consumer RGUs and dividing by the number of months in that period.
- ARPU from Office Basis is calculated by dividing Office Basis revenues for the period by the average monthly total Office Basis subscribers and dividing by the number of months in that period.
- ARPU from Internet Plus is calculated by dividing Internet Plus revenues for the period by the average monthly total Internet Plus subscribers and dividing by the number of months in that period.

Based on the growth of our business revenues, we have decided to separate the reporting of consumer and business ARPU for HFC based products from January 2012 onwards.

- all references to “blended ARPU” are to a blended ARPU measure for consumer revenues, which is calculated as the sum of total standard TV, digital pay TV, broadband internet and telephony consumer revenues (including digital pay TV and telephony usage revenues) for the period divided by the period’s average monthly total standard TV consumer RGUs and divided by the number of months in that period. Based on the growth of our business revenues, we have decided to exclude business RGUs from the calculation of consumer ARPU from January 2012 onwards. We do not report blended business ARPU as revenues between the different products and different types of business customers vary significantly;
- all references to “AT” are to Agentschap Telecom (Radiocommunications Agency), division of the Dutch Ministry of Economic Affairs, Agriculture and Innovation, which oversees the acquisition, allocation and protection of spectrum;
- all references to “Business subscribers” are to Ziggo product offerings to which customers subscribe for business or commercial use, and any related statistics and descriptions (for example, “business customers”);
- all references to the “Casema Business” are to the former businesses and assets of Casema Holding B.V., which was merged into the Ziggo business in 2008;
- unless otherwise indicated, all references to “churn” are to the voluntary or involuntary discontinuation of the provision of all services to a subscriber; the churn rate information presented herein is the percentage measure of the number of subscribers who have discontinued all services for which they had subscribed in the respective period divided by the average number of subscribers during that period;
- all references to “Cinven” are to Cinven Partners LLP;
- all references to the “Cinven Funds” are to the Fourth Cinven Fund (No. 1) Limited Partnership, the Fourth Cinven Fund (No. 2) Limited Partnership, the Fourth Cinven Fund (No. 3—VCOC) Limited Partnership, the Fourth Cinven Fund (No. 4) Limited Partnership, the Fourth Cinven Fund (UBTI)

Limited Partnership, the Fourth Cinven (MACIF) Limited Partnership, the Fourth Cinven Fund Co-Investment Partnership and the Fourth Cinven Fund FCPR;

- all references to “Consumer” are to Ziggo product offerings to which customers subscribe for personal use, and any related statistics and descriptions (for example, “consumer RGUs”, “consumer households”);
- all references to the “CvdM” or to the “Dutch Media Authority” are to the Commissariaat voor de Media, which enforces the rules and regulations formulated under the Dutch Media Act or based on this Act;
- all references to “our customers” or “customers” in relation to Ziggo refer to households, which can consist of one or more person(s) who use(s) our services; other references to “customers” refer to customers more generally, for example potential customers, including our competitors’ customers, or customer care;
- all references to “Former Management Selling Shareholders” are to Walter Blom, Wim Dik, Ritzo Holtman and Aarnout Loudon;
- all references to the “General Meeting” are to the general meeting of the Shareholders of the Company (*algemene vergadering van aandeelhouders*);
- all references to “KPN” are to KPN N.V., the incumbent telecommunications operator in the Netherlands;
- all references to “Management Selling Shareholders” are to Even Participation Coöperatie U.A., Walter Blom, Bernard Dijkhuizen, Wim Dik, Ritzo Holtman, Marcel Nijhoff and Andrew Sukawaty;
- all references to the “Multikabel Business” are to the former businesses and assets of Multikabel N.V., which was merged into the Ziggo business in 2008;
- all references to “OPTA” are to Onafhankelijke Post en Telecommunicatie Autoriteit, the Dutch Independent Post and Telecommunications Authority;
- all references to “Over-allotment Shareholders” are to the Selling Shareholders with the exception of Even Participation Coöperatie U.A.;
- all references to “RGUs” refer to 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;
- all references to “Shareholders” are to the holders of our Ordinary Shares at any given time;
- all references to “subscribers” are to persons who subscribe for one or more of our services. Subscribers comprise the following:
  - “standard TV subscribers” subscribe for our standard TV services;
  - “broadband internet subscribers” subscribe for our broadband internet services;
  - “digital pay TV subscribers” subscribe for our digital pay TV services;
  - “telephony subscribers” subscribe for our telephony services;
  - “All-in-1 bundle subscribers” subscribe for our All-in-1 bundle of standard TV, broadband internet and telephony as a package;
  - “non-bundle triple-play subscribers” subscribe for standard TV, broadband internet and telephony through individual service subscriptions rather than through our All-in-1 bundle;
  - “triple-play subscribers” are All-in-1 bundle subscribers and non-bundle triple-play subscribers; and
  - “dual-play subscribers” subscribe for two of our services through individual service subscriptions;

- all references to “UPC” are to UPC Nederland B.V., the second largest cable operator in the Netherlands, which operates outside our service area;
- all references to “Warburg Pincus” are to Warburg Pincus LLC, a New York limited liability company; and
- all references to the “Warburg Pincus Funds” are to Warburg Pincus Private Equity IX, L.P., a Delaware limited partnership; Warburg Pincus (Bermuda) Private Equity IX, L.P., a Bermuda limited partnership; WP (Bermuda) IX PE Two Limited, a Bermuda limited company.

In this Prospectus, unless otherwise indicated: all references to the “EU” are to the European Union; all references to “euro” or “€” are to the lawful currency of the European Union; all references to the “United States” or the “U.S.” are to the United States of America; all references to “U.S.\$”, “U.S. dollars”, “dollars” or “\$” are to the lawful currency of the United States.

We have provided definitions for certain technical terms used in this Prospectus in “Glossary of Technical Terms and Acronyms”.

### **Information Regarding Forward-Looking Statements**

This Prospectus contains “forward looking statements” as that term is defined by the U.S. federal securities laws. These forward looking statements include, but are not limited to, statements other than statements of historical facts contained in this Prospectus, including, but without limitation, those regarding our future financial condition, results of operations and business, our product, acquisition, disposition and finance strategies, our capital expenditure priorities, subscriber growth and retention rates, competitive and economic factors, the maturity of our markets, anticipated cost increases, liquidity, credit risk and target leverage levels. In some cases, you can identify these statements by terminology such as “aim”, “anticipate”, “believe”, “continue”, “could”, “estimate”, “expect”, “intend”, “may”, “plan”, “potential”, “predict”, “project”, “should”, and “will” and similar words used in this Prospectus.

By their nature, forward looking statements are subject to numerous assumptions, risks and uncertainties. Many of these assumptions, risks and uncertainties are beyond our control. Accordingly, actual results may differ materially from those expressed or implied by the forward looking statements. Such forward looking statements are based on numerous assumptions regarding our present and future business strategies and the environment in which we operate. We caution readers not to place undue reliance on the statements, which speak only as at the date of this Prospectus, 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.

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.

Risks and uncertainties that could cause actual results to vary materially from those anticipated in the forward looking statements included in this Prospectus include those described under “Risk Factors”.

The following include some but not all of the factors that could cause actual results or events to differ materially from those anticipated results or events:

- general economic trends and trends in the information, communications and entertainment industries;
- the competitive environment in which we operate;
- fluctuations in interest rates;
- consumer disposable income and spending levels, including the availability and amount of individual consumer credit;
- changes in consumer television viewing, broadband internet and telephony preferences and habits;
- consumer acceptance of existing service offerings, including our standard TV, digital pay TV, broadband internet and telephony services;
- consumer acceptance of new technology, programming alternatives and broadband internet services that we may offer;

- our ability to manage rapid technological changes;
- our ability to maintain or increase the number of subscriptions to our standard TV, digital pay TV, broadband internet and telephony services and our average monthly revenue per user;
- our ability to handle network and IT disruptions and to handle large volumes of customer service contacts;
- our ability to maintain or increase rates to our subscribers or to pass through increased costs to our subscribers;
- the outcome of any pending or threatened litigation;
- changes in, or failure or inability to comply with, government regulations in the Netherlands and adverse outcomes from regulatory proceedings;
- government intervention that opens our distribution network to competitors;
- uncertainties inherent in the development and integration of new business strategies;
- capital spending for the acquisition and/or development of telecommunications networks and services;
- the availability of attractive programming for our digital TV services at reasonable costs;
- the loss of key employees and the availability of qualified personnel; and
- events that are outside of our control, such as terrorist attacks, natural disasters or other events that may damage our network.

The television, broadband internet and telephony services industries are changing rapidly and, therefore, the forward looking statements of expectations, plans and intentions in this Prospectus are subject to a significant degree of risk. These forward looking statements and such risks, uncertainties and other factors speak only as at the date of this Prospectus, 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.

The cautionary statements set forth above should be considered in connection with any subsequent written or oral forward looking statements that we or persons acting on our behalf may issue. We undertake no obligation to review or confirm analysts' expectations or estimates or to release publicly any revisions to any forward looking statements to reflect events or circumstances after the date of this Prospectus.

We disclose important factors that could cause our actual results to differ materially from our expectations in this Prospectus. These cautionary statements qualify all forward looking statements attributable to us or persons acting on our behalf. When we indicate that an event, condition or circumstance could or would have an adverse effect on us, it means to include effects upon business, financial and other conditions and results of operations.

### **Enforcement of Judgments**

We have been advised that there is doubt as to the enforceability in the Netherlands of civil liabilities based on the securities laws of the United States, either in an original action or in an action to enforce a judgment obtained in U.S. courts. The United States and the Netherlands currently do not have a treaty providing for the reciprocal recognition and enforcement of judgments, other than arbitration awards, in civil and commercial matters. Consequently, a final judgment for payment given by a court in the United States, whether or not predicated solely upon U.S. securities laws, would not be enforceable in the Netherlands. However, if a person has obtained a final and conclusive judgment rendered by a U.S. court which is enforceable in the United States and files a claim with the competent Dutch court, the Dutch court may be expected to render a judgment in accordance with the judgment of the relevant U.S. court, provided that such judgment has not been rendered in violation of elementary principles of fair trial and is not contrary to the public policy of the Netherlands and has been rendered by a court which has established its jurisdiction vis-à-vis the relevant party on the basis of a valid submission by such party to the jurisdiction of such U.S. court. It is uncertain whether this practice extends to default judgments as well. Dutch courts may deny the recognition and enforcement of punitive damages or other awards. Moreover, a Dutch court may reduce the amount of damages granted by a U.S. court and recognize damages only to the extent that they are necessary to compensate actual losses or damages. Enforcement and recognition of

judgments of U.S. courts in the Netherlands are solely governed by the provisions of the Dutch Civil Procedure Code.

Dutch civil procedure differs substantially from U.S. civil procedure in a number of respects. Insofar as the production of evidence is concerned, U.S. law and the laws of several other jurisdictions based on common law provide for pre-trial discovery, a process by which parties to the proceedings may prior to trial compel the production of documents by adverse or third parties and the deposition of witnesses. Evidence obtained in this manner may be decisive in the outcome of any proceeding. No such pre-trial discovery process exists under Dutch law.

#### **Available Information**

For so long as any of the Ordinary Shares are in issue and are “restricted securities” within the meaning of Rule 144(a)(3) under the US Securities Act, the Company will, during any period in which it is not subject to section 13 or 15(d) under the US Securities Exchange Act of 1934, as amended (the “US Exchange Act”), nor exempt from reporting under the US Exchange Act pursuant to Rule 12g3-2(b) thereunder, make available to any holder or beneficial owner of a Share, or to any prospective purchaser of a Share designated by such holder or beneficial owner, the information specified in, and meeting the requirements of, Rule 144A(d)(4) under the US Securities Act.

#### **No Incorporation of Website Information**

The contents of the Company’s websites do not form part of this Prospectus.



## DIVIDEND POLICY

### Dividend Policy

The Company's intention is to apply a progressive dividend payout policy that targets an initial payout of €220 million for 2012.

For the year 2013 and later, we intend to pay a dividend of at least 50% of free cash flow to equity<sup>(1)</sup> ("FCFE").

We plan to pay dividends in two semi-annual installments, with the dividend for 2012 to be paid in two equal installments. The first payment for each year is expected to be made in the fourth quarter of that year and the remainder in the second quarter of the following year following shareholder approval of the full year accounts.

Our FCFE was €186.1 million, €310.4 million and €303.0 million in 2009, 2010 and 2011, respectively.

We continue to assess our capital structure to allow us to increase our payout going forward to reflect increased cash generation and deleveraging. We believe that in the long run a net debt to EBITDA leverage ratio of approximately 3.5 to 1 is appropriate for the Company, credit market conditions permitting.

We expect our distributable reserves immediately following the Offering to be approximately €3.3 billion<sup>(2)</sup>.

Our expectations in relation to dividends and distributable reserves are subject to numerous assumptions, risks and uncertainties, which may be beyond our control. Please see "Important Information—Information Regarding Forward-Looking Statements".

### Limitations On Distributions

We are a holding company and our ability to generate income and pay dividends is dependent on the ability of our subsidiaries to declare and pay dividends or lend funds to us. The provisions of certain financing arrangements of our subsidiaries restrict their ability to pay dividends and lend funds to us. In particular, the Senior Credit Agreement, 6½% Senior Secured Notes and 8% Senior Unsecured Notes restrict the ability of certain of our subsidiaries to pay dividends to us based on a leverage ratio test for, in the case of the Senior Credit Agreement and the 6½% Senior Secured Notes, our subsidiary Amsterdamse Beheer- En Consultingmaatschappij B.V. ("ABC B.V.") and its subsidiaries on a consolidated basis and, in the case of the 8% Senior Unsecured Notes, our subsidiary Ziggo Bond Company B.V. and its subsidiaries on a consolidated basis, which is measured on a monthly basis and is calculated as debt less cash divided by EBITDA over the previous twelve months.

Under the Senior Credit Agreement, ABC B.V. may only pay dividends if the consolidated leverage ratio (as defined under the Senior Credit Agreement) for the 12 month period ending on the last day of its most recent financial quarter would have been less than 4.5 to 1 assuming that the dividend had been paid on the last day of that 12 month period. If the consolidated leverage ratio would be less than 4.5 to 1 but would remain greater than 3.5 to 1 the amount of dividends paid by ABC B.V. may not exceed 75% of its consolidated net income (as defined under the Senior Credit Agreement) for the period beginning on January 1, 2012 and ending on the last day of its most recent financial quarter. If the consolidated leverage ratio would be equal to or less than 3.5 to 1 (assuming that the dividend had been paid on the last day of the relevant 12 month period), this 75% restriction will cease to apply.

Under the terms of the 6½% Senior Secured Notes, for the period beginning with the second quarter of 2010 and ending on the last day of ABC B.V.'s most recent financial quarter for which financial statements are available prior to payment of the dividend, cumulative dividend payments to us by ABC B.V. during such period must be less than 50% of its cumulative adjusted net income for such period. Such restrictions cease to apply if the 6½% Senior Secured Notes achieve an investment-grade credit rating.

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(1) We define "FCFE", or free cash flow to equity, as EBITDA minus capital expenditure minus movement in provisions minus change in working capital minus net interest paid minus net interest received minus taxes paid. FCFE is a non-IFRS measure and may not be comparable to similarly titled measures used by other companies. For a reconciliation of our operating income to FCFE, see "Important Information—Non-IFRS Financial Measures".

(2) As the level of our distributable reserves follows from the Restructuring and the Restructuring will be carried out based on the Offer Price and number of Offer Shares as finally determined and based on the actual date on which the Offer Price is established, which factors are not yet known on the date of this Prospectus, this amount assumes (i) an Offer Price at the mid-point of the Offer Price Range, which is an indicative price range, (ii) the number of Offer Shares to be 35,000,000 and (iii) the date on which the Offer Price is established to be on March 20, 2012.

Under the terms of the 8% Senior Unsecured Notes, for the period beginning with the second quarter of 2010 and ending on the last day of Ziggo Bond Company B.V.'s most recent financial quarter for which financial statements are available prior to payment of the dividend, cumulative dividend payments to us by Ziggo Bond Company B.V. during such period must be less than 50% of its cumulative adjusted net income for such period. Such restrictions cease to apply if the 8% Senior Unsecured Notes achieve an investment-grade credit rating.

In addition, our ability to pay dividends is subject to restrictions on the distribution of dividends under Dutch Companies Law and depends on the results of our subsidiaries and other factors such as profitability. See “Risk Factors—Risks Related to the Offering and the Ordinary Shares—Our ability to pay dividends to Shareholders may be constrained”.

## CAPITALIZATION AND INDEBTEDNESS

The information set forth in the two tables below should be read in conjunction with, and is qualified by reference to, “Operating and Financial Review” and the Financial Statements included in “Financial Information”.

The table below sets out the Company’s capitalization as at December 31, 2011 on an actual basis (i.e., based on the unaudited consolidated balance sheet of the Company as at December 31, 2011), as adjusted to reflect the intended contribution of the interest-bearing loans from our indirect parent company Even Investments 2 S.à r.l. to Zesko B.V. as shares and share premium, which is to occur on implementation of the Restructuring. See “Certain Relationships and Related Party Transactions—Selling Shareholders—Restructuring”.

### Capitalization

|   | Actual                        | As adjusted <sup>(1)</sup>    |
|---|-------------------------------|-------------------------------|
|   | As at<br>December 31,<br>2011 | As at<br>December 31,<br>2011 |
|   | (unaudited)                   |                               |
|   | (€ in thousands)              |                               |
| <b>Total current debt</b> . . . . .   | —                             | —                             |
| <b>Total non-current debt (excluding current portion of long-term debt)<sup>(2)</sup></b> . . . . | <b>5,538,461</b>              | <b>3,257,243</b>              |
| Loans from financial institutions (guaranteed/secured) <sup>(3)</sup> . . . . .                   | 2,077,533                     | 2,077,533                     |
| 8% Senior Unsecured Notes (guaranteed) . . . . .  | 1,179,710                     | 1,179,710                     |
| Interest-bearing loans from related parties (unguaranteed/unsecured) . . . .                      | 2,281,218                     | —                             |
| <b>Shareholders’ equity</b> . . . . .   | <b>(1,061,684)</b>            | <b>1,198,701</b>              |
| Share capital . . . . .   | 20                            | 45                            |
| Share premium . . . . .   | 36,647                        | 2,065,335                     |
| Other reserves . . . . .  | (7,789)                       | (7,789)                       |
| Retained earnings . . . . .   | (1,090,562)                   | (858,890)                     |
| <b>Total</b> . . . . .  | <b>4,476,777</b>              | <b>4,455,944</b>              |

(1) Adjustments reflect the contribution of the interest-bearing loans from our indirect parent company Even Investments 2 S.à r.l. to Zesko B.V. as shares and share premium, which is to occur on implementation of the Restructuring. See “Certain Relationships and Related Party Transactions—Selling Shareholders—Restructuring”.

(2) Total non-current debt, in accordance with IFRS and IAS 39, represents the combined book value of the Group’s debt.

(3) Represents the Term Loan B Facility, the Term Loan E Facility and the Term Loan F Facility. See “Material Contracts—Senior Credit Agreement”.

The table below sets out the Company's net indebtedness as at December 31, 2011 on an actual basis (i.e., based on the unaudited balance sheet of the Company as at December 31, 2011), as adjusted to reflect the intended contribution of the interest-bearing loans from our indirect parent company Even Investments 2 S.à r.l. to Zesko B.V. as shares and share premium.

### Indebtedness

|   | Actual                          | As adjusted <sup>(1)</sup>    |
|---|---------------------------------|-------------------------------|
|   | As at<br>December 31,<br>2011   | As at<br>December 31,<br>2011 |
|   | (unaudited)<br>(€ in thousands) |                               |
| Cash and cash equivalents . . . . .                             | 112,634                         | 112,634                       |
| Trading securities . . . . .                                    | —                               | —                             |
| <b>Liquidity</b> . . . . .                                      | <b>112,634</b>                  | <b>112,634</b>                |
| <b>Current financial receivables</b> . . . . .                  | —                               | —                             |
| Current bank debt . . . . .                                     | —                               | —                             |
| Current portion of non-current debt . . . . .                   | —                               | —                             |
| Other current financial debt . . . . .                          | —                               | —                             |
| Derivative financial instruments . . . . .                      | 10,267                          | 10,267                        |
| <b>Current Financial Debt</b> . . . . .                         | <b>10,267</b>                   | <b>10,267</b>                 |
| <b>Net current financial indebtedness</b> . . . . .             | <b>(102,367)</b>                | <b>(102,367)</b>              |
| Senior Credit Facility (nominal value) <sup>(2)</sup> . . . . . | 1,383,337                       | 1,383,337                     |
| 8% Senior Unsecured Notes (principal amount) . . . . .          | 1,208,850                       | 1,208,850                     |
| 6½% Senior Secured Notes (principal amount) . . . . .           | 750,000                         | 750,000                       |
| Interest-bearing loans from related parties . . . . .           | 2,281,218                       | —                             |
| Derivative financial instruments . . . . .                      | 46,796                          | 46,796                        |
| <b>Non Current Financial Indebtedness</b> . . . . .             | <b>5,670,201</b>                | <b>3,388,983</b>              |
| <b>Net Financial Indebtedness</b> . . . . .                     | <b>5,567,834</b>                | <b>3,286,616</b>              |

(1) Adjustments reflect the contribution of the interest-bearing loans from our indirect parent company Even Investments 2 S.à r.l. to Zesko B.V. as shares and share premium, which is to occur on implementation of the Restructuring. See “Certain Relationships and Related Party Transactions—Selling Shareholders—Restructuring”.

(2) See “Material Contracts—Senior Credit Agreement”.

The Company has no material indirect or contingent indebtedness. For further information on our contingent liabilities and guarantees to unrelated parties, please see notes 4, 20 and 22 to the 2011 Financial Statements.

## SELECTED FINANCIAL AND OPERATING INFORMATION

### Selected Financial Information

The selected financial information set out below refers to the financial years ended December 31, 2009, 2010 and 2011. This information has been extracted without material amendment from the 2011 Financial Statements and the 2010 Financial Statements included in “Financial Information” in this Prospectus, and should be read in conjunction with, and is qualified by reference to, those statements. See “Important Information—Presentation of Financial Information” for further details.

#### Consolidated Income Statement Data

|  | Year ended December 31,           |                  |                  |
|--|-----------------------------------|------------------|------------------|
|  | 2009<br>(adjusted) <sup>(*)</sup> | 2010             | 2011             |
|  | (€ in thousands)<br>(Audited)     |                  |                  |
| <b>Total revenues</b> . . . . .                            | <b>1,284,395</b>                  | <b>1,375,742</b> | <b>1,478,169</b> |
| Cost of goods sold . . . . .                               | (263,276)                         | (265,036)        | (291,147)        |
| Personnel expenses . . . . .                               | (179,782)                         | (170,715)        | (175,574)        |
| Contracted work . . . . .                                  | (68,352)                          | (44,833)         | (51,162)         |
| Materials and logistics . . . . .                          | (3,371)                           | (4,071)          | (6,035)          |
| Marketing and sales . . . . .                              | (55,332)                          | (62,106)         | (68,514)         |
| Office expenses . . . . .                                  | (55,366)                          | (52,183)         | (49,564)         |
| Other operating expenses . . . . .                         | (10,675)                          | (1,748)          | (1,571)          |
| Amortization and impairments . . . . .                     | (215,488)                         | (218,597)        | (79,939)         |
| Depreciation and impairments . . . . .                     | (261,752)                         | (284,148)        | (268,014)        |
| <b>Operating income</b> . . . . .                          | <b>171,001</b>                    | <b>272,305</b>   | <b>486,649</b>   |
| Net financial income (expense) . . . . .                   | (490,218)                         | (543,965)        | (464,193)        |
| <b>Result before income taxes</b> . . . . .                | <b>(319,217)</b>                  | <b>(271,660)</b> | <b>22,456</b>    |
| Net result of joint ventures and associates . . . . .      | —                                 | —                | (168)            |
| Income tax benefit (expense) . . . . .                     | 81,400                            | 71,262           | (7,784)          |
| <b>Net result</b> . . . . .                                | <b>(237,817)</b>                  | <b>(200,398)</b> | <b>14,504</b>    |
| <b>Net result attributable to equity holders</b> . . . . . | <b>(237,817)</b>                  | <b>(200,398)</b> | <b>14,504</b>    |

(\*) See “Important Information—Presentation of Financial Information—2009 Financial Information” and note 24 to 2010 Financial Statements. This reflects adjustments made in connection with the continuation of an employee benefits plan, resulting in a €0.4 million decrease in our EBITDA and a €0.7 million decrease in our net result for 2009, as well as a €4.7 million decrease in our equity as at December 31, 2009.

#### Consolidated Balance Sheet Data

|   | Year ended December 31,           |                  |                  |
|---|-----------------------------------|------------------|------------------|
|   | 2009<br>(adjusted) <sup>(*)</sup> | 2010             | 2011             |
|   | (€ in thousands)<br>(Audited)     |                  |                  |
| Total non-current assets . . . . .              | 5,429,147                         | 5,175,322        | 5,053,749        |
| Total current assets . . . . .                  | 161,615                           | 137,966          | 197,380          |
| <b>Total assets</b> . . . . .                   | <b>5,590,762</b>                  | <b>5,313,288</b> | <b>5,251,129</b> |
| Equity attributable to equity holders . . . . . | (895,150)                         | (1,083,499)      | (1,061,684)      |
| Total non-current liabilities . . . . .         | 6,141,830                         | 6,059,623        | 5,993,137        |
| Total current liabilities . . . . .             | 344,082                           | 337,164          | 319,676          |
| <b>Total equity and liabilities</b> . . . . .   | <b>5,590,762</b>                  | <b>5,313,288</b> | <b>5,251,129</b> |

(\*) See “Important Information—Presentation of Financial Information—2009 Financial Information” and note 24 to 2010 Financial Statements. This reflects adjustments made in connection with the continuation of an employee benefits plan, resulting in a €0.4 million decrease in our EBITDA and a €0.7 million decrease in our net result for 2009, as well as a €4.7 million decrease in our equity as at December 31, 2009.

### Consolidated Cash Flow Statement Data

|   | Year ended December 31, |              |               |
|---|-------------------------|--------------|---------------|
|   | 2009                    | 2010         | 2011          |
|   | (€ in thousands)        |              |               |
|   | (Audited)               |              |               |
| Net cash flow from operating activities . . . . .                     | 687,634                 | 755,562      | 819,866       |
| Net cash flow used in investing activities . . . . .                  | (253,576)               | (202,523)    | (249,839)     |
| Net cash flow from financing activities . . . . .                     | (411,405)               | (551,333)    | (524,396)     |
| <b>Net increase (decrease) in cash and cash equivalents . . . . .</b> | <b>22,653</b>           | <b>1,706</b> | <b>45,631</b> |

### Pro Forma Financial Information

In connection with the Offering, our indirect parent company Even Investments 2 S.à r.l. will contribute its interest-bearing loans to Zesko B.V. (which will be acquired by Ziggo N.V. on implementation of the Restructuring) as shares and share premium. See “Certain Relationships and Related Party Transactions—Selling Shareholders—Restructuring”. We have prepared pro forma financial information for the year ended and as at December 31, 2011 in order to demonstrate the effect of the contribution of the interest-bearing loans as if that transaction had taken place on January 1, 2011 and was carried forward through December 31, 2011.

Our financial information in all periods to, and including, 2010 assumes that customer relationships are amortized over 12 to 14 years. See notes 2 and 3 to our 2011 Financial Statements. On April 1, 2011, a new analysis carried out by the Company showed that the useful life of customer relationships is indefinite. As a consequence, customer relationships are no longer amortized and are subject to annual impairment testing. Accordingly, the pro forma financial information for the year ended and as at December 31, 2011 also demonstrates the effect of the change in the accounting treatment of customer relationship attrition as if it had taken place on January 1, 2011 and was carried forward through December 31, 2011. This change in accounting treatment will result in reduced amortization charges going forward.

The summary pro forma financial information presented below has been extracted without material adjustment from the unaudited pro forma condensed consolidated financial information for the year ended and as at December 31, 2011 (the “Unaudited Pro Forma Condensed Consolidated Financial Information”) included in Section E of “Financial Information” in this Prospectus. The pro forma financial information has been prepared for illustrative purposes only. Because of its nature, the pro forma financial information addresses a hypothetical situation and, therefore, does not represent our actual financial position or results.

### Pro Forma Income Statement Data

|  | Year ended    | Pro forma               | Pro forma      |
|--|---------------|-------------------------|----------------|
|  | December 31,  |                         | adjustments    |
|  | 2011          |                         | 2011           |
|  | (Audited)     | (€ in thousands)        | (Unaudited)    |
| Total revenues . . . . .                                   | 1,478,169     | —                       | 1,478,169      |
| Amortization and impairments . . . . .                     | 79,939        | (44,124) <sup>(1)</sup> | 35,815         |
| Operating income . . . . .                                 | 486,649       | 44,124                  | 530,773        |
| Net financial income (expense) . . . . .                   | (464,193)     | 215,882 <sup>(2)</sup>  | (248,311)      |
| Result before income taxes . . . . .                       | 22,456        | 260,006                 | 282,462        |
| Net result of joint ventures and associates . . . . .      | (168)         | —                       | (168)          |
| Income tax benefit (expense) . . . . .                     | (7,784)       | (65,002)                | (72,786)       |
| <b>Net result . . . . .</b>                                | <b>14,504</b> | <b>195,004</b>          | <b>209,508</b> |
| <b>Net result attributable to equity holders . . . . .</b> | <b>14,504</b> | <b>195,004</b>          | <b>209,508</b> |

(1) Adjustment reflects a pro forma decrease in amortization cost of €44.1 million in the year ended December 31, 2011 as a result of the decrease in amortization expenses in relation to customer relationships.



- (2) Adjustment reflects a pro forma decrease in interest expense of €215.9 million in the year ended December 31, 2011 as a result of the conversion of the interest-bearing loans of Even Investments 2 S.à r.l. to shares and share premium of Zesko B.V. See “Certain Relationships and Related Party Transactions—Selling Shareholders—Restructuring”.

### Pro Forma Balance Sheet Data

|   | As at<br>December 31,<br>2011 | Pro forma<br>adjustments   | Pro forma<br>as at<br>December 31,<br>2011 |
|---|-------------------------------|----------------------------|--|
|   | (€ in thousands)              |                            |  |
|   | (Audited)                     | (Unaudited)                |  |
| Total assets . . . . .                        | 5,251,129                     | (9,847) <sup>(1)</sup>     | 5,241,327                                  |
| Total equity . . . . .                        | (1,061,684)                   | 2,260,340                  | 1,198,701                                  |
| Total non-current liabilities . . . . .       | 5,993,137                     | (2,270,187) <sup>(2)</sup> | 3,722,950                                  |
| Total current liabilities . . . . .           | 319,676                       | —                          | 319,676                                    |
| <b>Total equity and liabilities . . . . .</b> | <b>5,251,129</b>              | <b>(9,847)</b>             | <b>5,241,327</b>                           |

- (1) Adjustment reflects a pro forma decrease in deferred tax assets of €54.0 million as a result of lower pro forma interest expense and a pro forma increase in intangible assets of €44.1 million as a result of the decrease in amortization expense.
- (2) Adjustment reflects the pro forma conversion of the interest-bearing loans from Even Investments 2 S.à r.l. to shares and share premium of Zesko B.V. in the amount of €2,281.2 million, and a pro forma increase in deferred tax liabilities of €11.0 million as a result of the decrease in amortization expense. See “Certain Relationships and Related Party Transactions—Selling Shareholders—Restructuring”.

### Non-IFRS Measures

This Prospectus includes certain measures that are not measures defined by IFRS. See “Important Information—Non-IFRS Financial Measures”. The tables below present these non-IFRS measures, along with certain key operating information, for 2009, 2010 and 2011.

|   | Year ended December 31,           |       |       |
|---|-----------------------------------|-------|-------|
|   | 2009<br>(adjusted) <sup>(*)</sup> | 2010  | 2011  |
|   | (€ in millions)<br>(Unaudited)    |       |       |
| EBITDA <sup>(1)</sup> . . . . .   | 648.2                             | 775.1 | 834.6 |
| Integration operating expenses <sup>(2)</sup> . . . . .   | 47.1                              | 8.2   | —     |
| Adjusted EBITDA <sup>(3)</sup> . . . . .  | 695.4                             | 783.3 | 834.6 |
| Total capital expenditure . . . . .   | 251.8                             | 202.7 | 250.3 |
| Capital expenditure excluding integration and acquisition<br>capital expenditure <sup>(4)</sup> . . . . . | 209.5                             | 175.2 | 242.9 |
| OpFCF <sup>(5)</sup> . . . . .  | 485.9                             | 608.1 | 591.7 |
| Adjusted net income <sup>(6)</sup> . . . . .  | —                                 | 105.8 | 202.0 |

(\*) See “Important Information—Presentation of Financial Information—2009 Financial Information” and note 24 to 2010 Financial Statements. This reflects adjustments made in connection with the continuation of an employee benefits plan, resulting in a €0.4 million decrease in our EBITDA and a €0.7 million decrease in our net result for 2009, as well as a €4.7 million decrease in our equity as at December 31, 2009.

- (1) EBITDA represents operating income plus depreciation and amortization and is a non-IFRS measure. The EBITDA measure presented in the table above may not be comparable to similarly titled measures used by other companies. For a reconciliation of our operating income to EBITDA, see “Important Information—Non-IFRS Financial Measures”.
- (2) Integration operating expenses (which are included within total operating expenses for the years 2009 and 2010) relate to expenses incurred in connection with the integration of our three predecessor businesses, including, among other things, consultancy fees related to integration, restructuring and redundancy costs, costs related to the launch and establishment of our single brand name “Ziggo” in May 2008 and costs related to the consolidation of office functions at our new central office in Utrecht, which was opened in 2009.
- (3) We define Adjusted EBITDA as EBITDA as adjusted to remove the effects of integration operating expenses. Adjusted EBITDA is a non-IFRS measure. The Adjusted EBITDA measure presented in the table above may not be comparable to similarly titled measures used by other companies. See “Important Information—Non-IFRS Financial Measures”.
- (4) Capital expenditure represents payments to acquire property, plant and equipment but excludes capital expenditure incurred in connection with the integration of our predecessor businesses (which amounted to €42.3 million, €27.5 million and nil for the years ended December 31, 2009, 2010 and 2011, respectively) and acquisitions (which amounted to nil, nil and €7.4 million for the years ended December 31, 2009, 2010 and 2011, respectively).

- (5) We define operating free cash flow (“OpFCF”) as Adjusted EBITDA less capital expenditures excluding integration capital expenditure and acquisition capital expenditure. The OpFCF measure presented in the table above may not be comparable to similarly titled measures used by other companies. For a reconciliation of our operating income to OpFCF, see “Important Information—Non-IFRS Financial Measures”.
- (6) “Adjusted net income” represents net result adjusted for amortization of customer lists, amortization of funding costs, impairments, costs related to integration, interest on shareholders loans and fair value gains or losses from ineffective hedge contracts under IFRS and tax effects of these adjustments. In relation to the 6¼% Senior Secured Notes and the 8% Senior Unsecured Notes, adjusted net income is cumulative from April 1, 2010. In relation to the Senior Credit Agreement, adjusted net income is cumulative from January 1, 2011. For a reconciliation of our net result to adjusted net income, see “Important Information—Non-IFRS Financial Measures”.

## Selected Operating Information

|  | As at December 31,    |              |              |
|--|-----------------------|--------------|--------------|
|  | 2009                  | 2010         | 2011         |
|  | (thousands, except %) |              |              |
| <b>Footprint</b>   |                       |              |              |
| Homes passed <sup>(1)</sup>                                    | 4,074                 | 4,141        | 4,202        |
| <b>RGUs (consumer)<sup>(2)</sup></b>                           |                       |              |              |
| <i>Analog TV</i>   | 1,559                 | 1,220        | 768          |
| <i>Digital TV<sup>(3)</sup></i>                                | 1,552                 | 1,804        | 2,152        |
| <b>Total standard TV</b>                                       | <b>3,111</b>          | <b>3,024</b> | <b>2,920</b> |
| <b>Digital pay TV<sup>(4)</sup></b>                            | <b>778</b>            | <b>897</b>   | <b>940</b>   |
| <b>Broadband internet</b>                                      | <b>1,445</b>          | <b>1,545</b> | <b>1,662</b> |
| <b>Telephony</b>   | <b>995</b>            | <b>1,157</b> | <b>1,332</b> |
| <b>Total RGUs (consumer)</b>                                   | <b>6,328</b>          | <b>6,622</b> | <b>6,854</b> |
| <i>Of which All-in-1 bundle subscribers<sup>(5)</sup></i>      | 680                   | 1,079        | 1,261        |
| <i>Of which non-bundle triple-play subscribers</i>             | 235                   | 20           | 17           |
| <b>Total triple-play subscribers<sup>(6)</sup></b>             | <b>915</b>            | <b>1,099</b> | <b>1,278</b> |
| <b>RGUs (business)<sup>(2)</sup></b>                           |                       |              |              |
| Total standard TV  | 80                    | 85           | 97           |
| Broadband internet   | 3                     | 11           | 23           |
| Telephony  | 3                     | 9            | 17           |
| <b>Total RGUs (business)</b>                                   | <b>86</b>             | <b>105</b>   | <b>138</b>   |
| <i>Of which Office Basis subscribers</i>                       | 3                     | 9            | 17           |
| <i>Of which Internet Plus subscribers</i>                      | 0                     | 3            | 6            |
| <i>ToM &amp; ToM Interactive<sup>(7)</sup></i>                 | 73                    | 69           | 69           |
| <b>Penetration (consumer)</b>                                  |                       |              |              |
| Standard TV subscribers as % of homes passed <sup>(8)</sup>    | 78.9%                 | 75.3%        | 71.7%        |
| Digital TV subscribers as % of standard TV subscribers         | 49.9%                 | 59.7%        | 73.7%        |
| Digital pay TV subscribers as % of standard TV subscribers     | 25.0%                 | 29.7%        | 32.2%        |
| Broadband internet subscribers as % of standard TV subscribers | 46.4%                 | 51.1%        | 56.9%        |
| Telephony subscribers as % of standard TV subscribers          | 32.0%                 | 38.3%        | 45.6%        |
| All-in-1 bundle subscribers as % of standard TV subscribers    | 21.8%                 | 35.7%        | 43.2%        |
| Total triple-play subscribers as % of standard TV subscribers  | 29.4%                 | 36.3%        | 43.8%        |

(1) Homes passed represents all homes connected to our network directly and through third-party networks. 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 130,000, 126,000 and 127,000 homes passed by third party cable networks as at December 31, 2009, 2010 and 2011, 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 smart cards as at the dates indicated. Only subscribers who have activated smart cards 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) The increase in the number of All-in-1 bundle subscribers from December 31, 2009 to December 31, 2011 includes 152,000 non-bundle triple-play subscribers who received standard TV, broadband internet and telephony services on an individual service subscription basis and were converted to the All-in-1 bundle in December 2010.
- (6) Triple-play subscribers comprise (i) All-in-1 bundle subscribers (who subscribe for 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 for standard TV, broadband internet and telephony through individual service subscriptions rather than through our All-in-1 bundle).
- (7) Expressed as standard TV equivalents (calculated as ToM and ToM Interactive revenues divided by the consumer price for standard TV (excluding VAT)).
- (8) 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 our standard TV RGUs do not include subscribers in third-party service areas.

|  | <b>For the year ended December 31,</b> |              |              |
|--|--|--------------|--------------|
|  | <b>2009</b>                            | <b>2010</b>  | <b>2011</b>  |
|  | (€)                                    |              |              |
| <b>ARPU (consumer)<sup>(1)</sup></b>   |  |              |              |
| Standard TV . . . . .  | 13.17                                  | 13.32        | 13.49        |
| Digital pay TV <sup>(2)</sup> . . . . .  | 11.60                                  | 12.55        | 13.71        |
| Broadband internet including value-added services subscriptions <sup>(3)</sup> . . . . .     | 20.92                                  | 21.30        | 21.60        |
| Telephony subscription including value-added services subscriptions <sup>(4)</sup> . . . . . | 6.90                                   | 7.49         | 7.59         |
| Telephony usage <sup>(5)</sup> . . . . .   | 12.52                                  | 12.14        | 11.43        |
| <b>Blended ARPU<sup>(6)</sup></b> . . . . .  | <b>30.42</b>                           | <b>33.92</b> | <b>37.34</b> |
| <b>Blended ARPU All-in-1 bundle<sup>(7)</sup></b> . . . . .                                  | <b>39.69</b>                           | <b>41.21</b> | <b>41.77</b> |

- (1) Operating data related to ARPU is presented in euro per month (excluding VAT) for the periods indicated. Blended ARPU is calculated as the sum of total standard TV, digital pay TV, broadband internet and telephony consumer revenues (including digital pay TV and telephony usage revenues) for the period divided by the period's average monthly total standard TV consumer RGUs and divided by the number of months in that period. Based on the growth of our business revenues, we have decided to report consumer ARPU and business ARPU separately from January 2012 onwards. We do not report blended business ARPU as revenues between the different products and different types of business customers vary significantly.
- (2) ARPU for our digital pay TV is calculated by dividing the digital pay TV revenues for the period by the average monthly number of subscribers that have subscribed for one or more of our digital pay TV services and dividing by the number of months in that period.
- (3) ARPU from broadband internet is calculated by dividing broadband internet revenues, including revenues generated through value-added services subscriptions, for the period by the average monthly number of subscribers and dividing by the number of months in that period. Value-added services subscriptions include online backup, internet security and anti-virus services.
- (4) ARPU from telephony subscription is calculated by dividing telephony subscription revenues, including value-added services subscriptions, for the period by the average monthly number of subscribers and dividing by the number of months in that period. Value-added services subscriptions include second telephony lines and mobile subscriptions from the former Multikabel business.
- (5) ARPU from telephony usage is calculated by dividing total telephony usage revenues for the period by the average monthly total telephony RGUs and dividing by the number of months in that period.
- (6) Blended ARPU is calculated as the sum of total standard TV, digital pay TV, broadband internet and telephony revenues (including digital pay TV and telephony usage revenues) for the period divided by the period's average monthly total standard TV RGUs and divided by the number of months in that period.
- (7) Blended All-in-1 bundle ARPU does not include digital pay TV and telephony usage revenues.

|  | As at December 31, |       |       | As at September 30, |       |
|--|--------------------|-------|-------|---------------------|-------|
|  | 2008               | 2009  | 2010  | 2010                | 2011  |
| <b>Ziggo market share in the Netherlands<sup>(1)</sup></b> |                    |       |       |                     |       |
| Total TV . . . . .   | 41.0%              | 40.3% | 39.0% | 39.2%               | 37.9% |
| Digital TV . . . . .                                       | 28.2%              | 32.9% | 33.4% | 33.2%               | 35.2% |
| Broadband internet . . . . .                               | 23.5%              | 24.1% | 25.0% | 24.7%               | 26.0% |
| Telephony (VoIP + PSTN/ISDN) . . . . .                     | 13.8%              | 16.7% | 19.5% | 18.8%               | 21.9% |
| <b>Ziggo market share in service area<sup>(2)</sup></b>    |                    |       |       |                     |       |
| Total TV . . . . .   | 74.2%              | 73.0% | 70.3% | 70.9%               | 67.8% |
| Digital TV . . . . .                                       | 49.9%              | 57.0% | 58.0% | 57.7%               | 59.4% |
| Broadband internet . . . . .                               | 42.7%              | 43.7% | 45.2% | 44.7%               | 46.6% |
| Telephony (VoIP + PSTN/ISDN) . . . . .                     | 25.0%              | 30.3% | 35.3% | 34.0%               | 39.3% |

(1) Source: Telecompaper.

(2) We calculate our market share in our service area for each service as follows. First, we calculate the total number of subscribers for a particular service in our service area by multiplying the total number of subscribers for that service in the Netherlands, which is based on Telecompaper data, by the percentage of homes passed by us in the Netherlands for the respective periods. We then divide our total subscribers for that particular service by the resulting number (the total subscribers for a particular service in our service area).

## OPERATING AND FINANCIAL REVIEW

*The following review relates to our historical financial condition and results of operations in the financial years ended December 31, 2009, 2010 and 2011, respectively. This “Operating and Financial Review” is based on the Financial Statements included in this Prospectus and should be read in conjunction with “Important Information—Presentation of Financial Information”, “Industry and Market Overview”, “Business” and “Financial Information”. Prospective investors should read the entire Prospectus and not just rely on the information set out below. The financial information included in this “Operating and Financial Review” has been extracted without material adjustment from the 2011 Financial Statements and the 2010 Financial Statements.*

*The following discussion of our results of operations and financial condition contains forward-looking statements. Our actual results could differ materially from those that we discuss in these forward-looking statements. Factors that could cause or contribute to such differences include those discussed below and elsewhere in this Prospectus, particularly under “Risk Factors” and “Important Information—Information Regarding Forward-Looking Statements”.*

### Overview

We are the largest cable operator in the Netherlands, with an estimated network coverage of 56% of the country by homes passed as at December 31, 2011. We provide standard TV, digital pay TV, high-speed broadband internet and telephony services to consumers and businesses. 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 TV, broadband internet and telephony services from a single provider at a lower price than they would pay through three individual service subscriptions. According to OPTA, the Dutch Independent Post and Telecommunications Authority, we were the number one provider of triple-play offerings in the Netherlands as at June 2011.

As at December 31, 2011, we had 4.2 million homes passed and primary product relationships with 3.0 million standard TV subscribers. 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. Based on Telecompaper statistics, we estimate that our service area market shares by subscriptions as at September 30, 2011 for standard TV, digital TV, broadband internet and telephony were 67.8%, 59.4%, 46.6% and 39.3%, respectively. We believe our leading positions are based on the strength of our network, customer focus and our ability to offer a premium combination of content, speed and functionality at attractive prices compared to our competitors.

Our services are delivered over our hybrid fiber coaxial (“HFC”) cable network, which is one of the most technically advanced in Europe. Since the start of the merger of our three predecessor businesses in 2006 (the “merger”), we have invested more than €1 billion in our network, systems and infrastructure and we will continue to invest to maintain and strengthen our competitive position. Our network is fully bi-directional and EuroDocsis 3.0 enabled. Both its spectrum bandwidth capacity of 862 MHz and average fiber distance of within 300 meters from our subscribers’ homes and offices are better than the European industry average. These features allow us to offer download speeds of up to 120 Mbps to all our homes passed, and our technology has the potential to offer speeds of up to 400 Mbps using current EuroDocsis 3.0 modems. The spectrum bandwidth capacity and speed of our network are substantially higher for TV and broadband internet services than the networks of other operators in our service area such as KPN, Tele2 and Online. Based on plans published by KPN, we estimate that Fiber-to-the-Home (“FttH”), the only network solution currently capable of providing equivalent speeds for broadband internet, will pass approximately 21% of the homes in our service area by 2013 and that not all homes passed will be connected.

Our unique network advantage, market-leading services, customer focus and continued innovation have enabled us to achieve strong growth in the number of our standard TV subscribers who also subscribe for our digital pay TV offerings as well as the percentage of standard TV subscribers who are “triple-play subscribers”, which has increased from 29.4% as at December 31, 2009 to 43.8% as at December 31, 2011. These increases in turn have driven growth in revenue generating units (“RGU”) and our average monthly revenue per user (“ARPU”) in the past three years. As a result, our blended consumer ARPU has increased from €30.42 for the year ended December 31, 2009 to €37.34 for the year ended December 31, 2011. Going forward, we believe we are well positioned to capture further growth through our triple-play and digital pay TV offerings.

## **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, notably the upcoming market analysis decision by OPTA. Each of these factors is discussed in more detail below.

### ***Products and Services***

In May 2008, we announced our new brand “Ziggo” as a single unified name for the cable and telecommunications services previously marketed under the brands of the @Home Business, the Multikabel Business and the Casema Business. In connection with the launch of our new name, we also fully standardized our product offering across our business. We now offer subscribers within our service area standard TV, digital pay TV, broadband internet and telephony services. We frequently upgrade our product offerings and service quality, including by increasing the broadband internet speeds in order to stay competitive and increase RGUs and ARPU. We expect growth to be driven primarily by our All-in-1 bundle and digital pay TV services, as described below.

#### ***All-in-1 Bundle***

In May 2008, we first introduced the All-in-1 bundle for the consumer market, which became available in our entire service area towards the end of 2008. We believe that customers of media and communications services will increasingly choose bundled products because of the convenience and cost savings that result from acquiring TV, broadband internet and telephony services from a single provider for one price. As at December 31, 2011, 1,261 thousand subscribers, or 43.2% of our total subscribers, subscribed for the All-in-1 bundle, compared to 1,079 thousand subscribers, or 35.7% of our total subscribers, as at December 31, 2010. In December 2010, we converted 152,000 subscribers who had subscribed for standard TV, broadband internet and telephony on an individual service subscription basis to the All-in-1 bundle. Subscribers to our All-in-1 bundle are counted as at least three separate RGUs because All-in-1 bundle subscribers receive each of our standard TV, broadband internet and telephony services (four RGUs would be counted for All-in-1 bundle subscribers who also subscribe for one or more of our digital pay TV services). Our All-in-1 product has helped drive an increase in consumer RGUs, which increased by 232,000 RGUs, or 3.5%, between December 31, 2010 and December 31, 2011. In addition, subscribers to our bundled products generate higher ARPU on average than our other subscribers. The increase in bundle subscribers during 2011 and the increase in revenues for digital pay TV were the primary drivers of the increase in blended consumer ARPU, which increased from €33.92 for the year ended December 31, 2010 to €37.34 for the year ended December 31, 2011. In the future, we expect that our RGUs, ARPU and total revenues will increase in line with increases in the proportion of our subscribers who choose bundled products and with the uptake of digital pay TV services.

We report revenues from our All-in-1 bundle within each of standard TV, broadband internet and telephony revenues on a pro rata basis and in proportion to the subscription fees of each product charged on a standalone basis.

#### ***Digital Pay TV Services***

We provide digital TV services, for no additional fee, to all of our subscribers who have activated smart cards. Subscribers who have activated smart cards have access to our digital pay TV services, which, depending on the service, can be utilized through subscriptions or on a one-off basis. The percentage of our total subscribers who have activated smart cards has steadily increased over the past several years, from 49.9% as at December 31, 2009 to 73.7% as at December 31, 2011. Over the same period, the percentage of total subscribers who have purchased digital pay TV subscriptions has increased from 25.0% to 32.2%. 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.

Digital pay TV is a lower gross margin business than some of our other products and services. In April 2009, we launched our interactive TV services, including our video-on-demand product, “On-Demand”, our content library product (which was called “TV-theek” and has now been substituted by “Films on Demand” and “Series on Demand”), and our TV replay, or “Catch-up TV” product “Net Gemist”, which



are available to subscribers who have activated their smart cards and have an interactive receiver. Digital pay TV ARPU increased from €11.60 in 2009 to €12.55 in the year ended December 31, 2010 and to €13.71 in the year ended December 31, 2011.

### **Pricing**

Our All-in-1 bundle offers subscribers a discount to the aggregate price of each of our standard TV, broadband internet and telephony services if acquired on a standalone basis, which makes the proposition attractive for our subscribers. We regularly review our pricing policy and in the past have increased our subscription fees as necessary in line with inflation or in response to market conditions and content costs. The pricing of all of our services, including our All-in-1 bundle, is dependent on market conditions and pricing by competitors with similar offerings. We do not need any formal approval for price increases. There have been no price increases for our broadband internet or telephony services during the period under review. Our prices for our standard TV and All-in-1 bundle services have been as follows:

|  | From January 1, |       | From the dates indicated |                      |
|--|-----------------|-------|--------------------------|----------------------|
|  | 2009            | 2010  | 2011                     | 2012                 |
| Standard TV . . . . .                    | 16.25           | 16.45 | 16.95 (from February 1)  | 17.20 (from April 1) |
| <b>Total All-in-1 bundle subscribers</b> |                 |       | (€)                      |                      |
| “Basic” All-in-1 plan . .                | 39.95           | 41.50 | 42.00 (from March 1)     | 42.00                |
| “Plus” All-in-1 plan . . .               | 49.95           | 51.50 | 52.00 (from March 1)     | 52.00                |
| “Extra” All-in-1 plan . .                | 64.95           | 66.50 | 67.00 (from March 1)     | 67.00                |

### **Churn**

The television, broadband internet and telephony industries exhibit churn as a result of high levels of competition. In addition to competitive alternatives, churn levels may be affected by changes in our prices or our competitors’ prices, our level of subscriber satisfaction, subscriber mortality and the relocation of subscribers, as well as from the termination of agreements in relation to third-party networks, which we also use to deliver our services. See “Risk Factors—Risks Related to Our Business, Strategy and Operations—Churn may adversely affect our business”. Increases in churn may lead to increased costs and reduced revenues. We estimate that annual churn for our All-in-1 bundle for the years ended December 31, 2009, 2010 and 2011 was approximately 4.8%, 4.6% and 4.1%, respectively. Including subscriptions attributable to bundles, churn for the years ended December 31, 2009, 2010 and 2011 was 9.8%, 8.7% and 9.1%, respectively. During 2008 we introduced our single brand, changed our billing process, rolled out our All-in-1 bundle, migrated all of our subscriber data to one unified database and CRM-system and integrated our operations into one single organization. These changes initially placed significant pressure on our customer service functions.

In addition, due to our high level of penetration of standard TV services (we served approximately 72% of our homes passed as at December 31, 2011), increasing our revenues is dependent upon increasing our revenue per subscriber through the offer of additional and enhanced services rather than increasing penetration of standard TV. Since the beginning of 2009, our standard TV subscribers have fallen slightly from 3.2 million to 3.0 million as at December 31, 2011. The general decline in the number of total standard TV subscribers is primarily attributable to increased competition from DTT and IPTV providers, as well as our own focus on higher value services such as digital pay TV and our All-in-1 bundle.

### **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 content costs and customer services cost is relatively variable, and a part of cost of goods sold is variable, as these costs are related to our revenues. Our most significant costs include author rights, signal costs and royalties (distribution/license fees which we pay to several broadcasters in order to distribute their programs), interconnection fees, costs of materials sold to customers and payroll costs. The costs associated with the growth of our business, including RGU acquisition costs, are variable. As a result of our operating leverage and operational benefits, operating expenditure (excluding integration operating expenditures) per RGU has decreased over the period from December 31, 2009 through December 31, 2011 at a compound rate of

0.5%. Over the same period, operating expenses per subscriber have increased at a compound rate of 7.3% compared to an increase in blended ARPU of 10.8%.

RGU acquisition costs include campaign costs, sales costs 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. We target to recover RGU acquisition costs within six months to one year of acquisition of a subscriber. We believe this recovery period can be achieved as a result of our operational efficiency as well as the density of our subscriber base and the fact that we have direct relationships with our subscribers, which enables us to know our customer base very well and not to rely on intermediaries to interact with our subscribers.

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 programs 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 new 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 them for the right to distribute their content and are to receive new content rights, including high definition, video-on-demand and “TV Everywhere” rights. For on-demand content (TVoD) that is purchased by our subscribers, we generally pay a revenue share of the retail price, subject, for certain on-demand content, to fixed minimum guarantees. For packaged on-demand content we pay on a per-subscriber basis, sometimes with minimum guarantees. We clear third-party copyrights with various copyright collection societies. We expect that our content costs (above the minimum amounts) will increase in line with increased revenues from digital pay TV and on-demand content.

We pay interconnection fees to other network operators when we connect to their networks in order to provide our voice and data services. Voice interconnection fees in the Netherlands are regulated, and the amount we pay in interconnection fees in any period will depend on the level of usage of our services.

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 account for the costs of set-top boxes and other products as cost of goods sold. These costs were €59.1 million, €46.4 million and €56.4 million for the years ended December 31, 2009, 2010 and 2011, respectively. As a result, 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. Our cost of goods sold may increase in the future in case of an increase in sales of interactive set-top boxes, which are more expensive than standard digital or high definition set-top boxes. Because we typically sell the set-top boxes at a discount as part of marketing campaigns to promote digital and interactive TV, increased sales of, and the sale of more expensive, set-top boxes have a positive impact on revenues but a negative impact on gross margin.

We also outsource a majority of the calls (in the year ended December 31, 2011, approximately 69%) to our call center customer care functions and all of our call center sales functions. The associated costs generally depend on the level of our customer care call volume and any investments we may make to improve customer service and satisfaction as part of our growth strategy. This fluctuates during any given period as a result of, among other things, the number of new subscriptions, the introduction of new products and services that are unfamiliar to our customers or difficult to install, the quality and reliability of our services and the quality of our alternative customer support options, such as the automated customer care functions on our website.

### ***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 free up capacity. During 2008 and 2009, we fully upgraded our network to EuroDocsis 3.0 technology, which allows us to offer our customers higher broadband internet access speeds and additional premium digital video and voice services. In 2010, we introduced broadband internet service with top download speeds of 120 Mbps and upload speeds of 10 Mbps in our entire service area. We started with the roll-out of high-speed modems to our customers in 2009. In 2011, we rolled out approximately 617,000 high-speed modems to existing and new customers of which approximately 496,000 were WiFi enabled. Each such high-speed modem / WiFi router costs us approximately €65 to €75. The costs of the modems and modem / WiFi routers are depreciated over

three years. In total, approximately 995,000 high speed modems were activated in our network of which 423,000 were WiFi enabled as at December 31, 2011.

We carefully monitor success-based capital expenditure by applying strict investment return and payback criteria. For the year ended December 31, 2011, we incurred non-integration and non-acquisition capital expenditure of €242.9 million, compared to non-integration, non-acquisition capital expenditure of €175.2 million and €209.5 million during the years ended December 31, 2010 and 2009, respectively. The capital expenditure for 2010 was relatively low compared to prior years. This was due to our decision to expend a portion of our budgeted 2010 capital expenditures during the latter months of 2009 on the completion of the network upgrade to EuroDocsis 3.0 and the finalization of the integration and harmonization of our predecessor businesses and infrastructures in the course of 2010. Low capital expenditures during 2010 also resulted from the late availability of the type of EuroDocsis 3.0 modems which we are using to replace modems at customer premises in order to supply our subscribers with high-speed internet.

### ***Integration of Predecessor Businesses and Acquisitions***

We were formed in 2006 by the combination of the Casema Business and the Multikabel Business. On January 31, 2007, we acquired the @Home Business. During 2008 we introduced our single brand, changed our billing process, standardized our product offering, rolled out our All-in-1 bundle across our network, migrated all of our customer data to one unified database and CRM-system and integrated our operations into one single organization. These changes initially placed significant pressure on our customer service functions and required significant investment in the integration of our predecessor businesses, including consolidating customer care, billing and network monitoring and maintenance functions.

Integration operating expenditures include operating expenses incurred in connection with the integration, including, among other things, consultancy fees related to integration, restructuring and redundancy costs, costs related to the launch and establishment of our single brand name “Ziggo” and costs related to the consolidation of office functions to our central office in Utrecht. Integration capital expenditures included expenditures we have incurred in order to harmonize and integrate the three networks and infrastructures of our predecessor businesses, to centralize our network monitoring activities into one network monitoring center in Zwolle and to integrate the office locations and the centralization of several functions into our new central office in Utrecht. Since the start of the merger in 2006, we have spent a total of €132 million on integration operating expenditures and €171 million on integration capital expenditures. We incurred €47.1 million and €8.2 million of integration operating expenses during the years ended December 31, 2009 and 2010, respectively, and €42.3 million and €27.5 million, respectively, in integration capital expenditure. We did not incur any integration operating expenses or capital expenditure in 2011 and do not expect to incur such expenses in 2012 or beyond.

The results of operations of an acquired business are reflected in our historical consolidated financial information only from the date of its acquisition. In January 2008, we acquired CAI Brunssum, a cable network, from Gemeente Brunssum for €13.7 million in net cash consideration. In May 2008, we acquired from T-Mobile, a unit of Germany’s Deutsche Telekom, the cable broadband internet business of Orange Nederland Breedband B.V. for a net cash consideration of €15.3 million. We did not make any significant acquisitions during the years ended December 31, 2009 or 2010. On October 13, 2011, we acquired Breezz, a provider of telecom services for the SME market for total cash consideration of €7.4 million.

### ***Regulation***

Our operations are subject to numerous regulations in Europe and the Netherlands. OPTA, one of the Dutch regulatory authorities responsible for supervising compliance with such regulations, has the authority to impose *ex ante* regulations for providers found to have significant market power (“SMP”). In this capacity, OPTA conducts market analyses in relation to seven predefined markets every three years to determine where SMP exists and impose obligations as appropriate. The European Commission has the power to veto a finding by OPTA of SMP (or the absence thereof) in any market, whether or not it is included in the seven predefined markets.

In the recent past, OPTA has determined that we have SMP in the wholesale market for call termination on public telephone networks and in the market for wholesale broadcasting transmission services. At the end of 2011, OPTA published two market analysis decisions and several draft market analysis decisions for the third round of market analyses. OPTA’s overall conclusion is that the telecommunication markets (including the markets in which we previously have been found to have SMP) are developing towards

genuine competition and there is no need to impose obligations (other than in relation to fixed-line termination) on Ziggo or other cable operators.

However, certain draft decisions could change as a result of comments from the European Commission, and certain final decisions are subject to appeal, as follows:

- **Call termination.** On November 7, 2011, OPTA published a draft decision that caps charges for fixed-line termination at €0.0037 per minute. On 13 February 2012, the Commission informed OPTA that it has opened an in-depth investigation into OPTA's draft decision. It is expected that OPTA will adopt an amended decision, taking the comments of the Commission into account, in the course of this year.
- **Broadcasting.** On December 20, 2011, OPTA adopted its final conclusions finding that no party has SMP in this market and that no regulation imposing obligations on cable operators is required. Several market participants have lodged an appeal against OPTA's decision not to impose obligations on cable operators. This is expected to take approximately 12 to 18 months to resolve. The Company will not be regulated by OPTA pending such appeals.
- **Unbundled Local Loop.** On June 23, 2011, OPTA published its draft unbundled local loop (ULL) decision. The final decision regarding ULL (including FttH access) was adopted on December 29, 2011. This decision regulates access to the MDF, SDF and ODF (FttH) of KPN. Cable operators were not found to have SMP and no regulation imposing obligations on cable operators is required.
- **Fixed telephony.** On July 14, 2011, OPTA published a draft decision finding that KPN has SMP in this market. In the draft decision, several obligations were imposed on KPN, but no obligations were imposed on cable operators. However, due to a September 30, 2011 ruling by the Industry Appeals Tribunal, a final decision will be slightly delayed as OPTA needs to take this ruling into account. The final fixed telephony decision is now expected in April 2012.
- **Wholesale broadband access and FttO.** On October 6, 2011, OPTA published a draft decision on wholesale broadband access finding that KPN has SMP on the leased lines and high quality wholesale broadband markets. In the draft decision on Fiber-to-the-Office ("FttO"), OPTA concluded that no party has SMP on the FttO market. Cable operators were not found to have SMP and no regulation imposing obligations on cable operators is required. The draft decisions were notified by OPTA to the European Commission on February 21, 2012. The final decisions are now expected by the end of March 2012.

Changes to any of these decisions could result in new obligations being imposed on cable operators, which could result in higher tariffs or increased operational and administrative expenses. Such changes could have a negative effect on our results of operations. See "Regulation" for more information.

### **Key Operating Measures**

We use several key operating measures, including RGUs and ARPU, to track 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 as at December 31, 2009, 2010 and 2011.

|  | As at December 31,    |              |              |
|--|-----------------------|--------------|--------------|
|  | 2009                  | 2010         | 2011         |
|  | (thousands, except %) |              |              |
| <b>Footprint</b>   |                       |              |              |
| Homes passed <sup>(1)</sup>                                    | 4,074                 | 4,141        | 4,202        |
| <b>RGUs (consumer)<sup>(2)</sup></b>                           |                       |              |              |
| <i>Analog TV</i>   | 1,559                 | 1,220        | 768          |
| <i>Digital TV<sup>(3)</sup></i>                                | 1,552                 | 1,804        | 2,152        |
| <b>Total standard TV</b>                                       | <b>3,111</b>          | <b>3,024</b> | <b>2,920</b> |
| <b>Digital pay TV<sup>(4)</sup></b>                            | <b>778</b>            | <b>897</b>   | <b>940</b>   |
| <b>Broadband internet</b>                                      | <b>1,445</b>          | <b>1,545</b> | <b>1,662</b> |
| <b>Telephony</b>   | <b>995</b>            | <b>1,157</b> | <b>1,332</b> |
| <b>Total RGUs (consumer)</b>                                   | <b>6,328</b>          | <b>6,622</b> | <b>6,854</b> |
| <i>Of which All-in-1 bundle subscribers<sup>(5)</sup></i>      | 680                   | 1,079        | 1,261        |
| <i>Of which non-bundle triple-play subscribers</i>             | 235                   | 20           | 17           |
| <b>Total triple-play subscribers<sup>(6)</sup></b>             | <b>915</b>            | <b>1,099</b> | <b>1,278</b> |
| <b>RGUs (business)<sup>(2)</sup></b>                           |                       |              |              |
| Total standard TV  | 80                    | 85           | 97           |
| Broadband internet   | 3                     | 11           | 23           |
| Telephony  | 3                     | 9            | 17           |
| <b>Total RGUs (business)</b>                                   | <b>86</b>             | <b>105</b>   | <b>138</b>   |
| <i>Of which Office Basis subscribers</i>                       | 3                     | 9            | 17           |
| <i>Of which Internet Plus subscribers</i>                      | 0                     | 3            | 6            |
| <i>ToM &amp; ToM Interactive<sup>(7)</sup></i>                 | 73                    | 69           | 69           |
| <b>Penetration (consumer)</b>                                  |                       |              |              |
| Standard TV subscribers as % of homes passed <sup>(8)</sup>    | 78.9%                 | 75.3%        | 71.7%        |
| Digital TV subscribers as % of standard TV subscribers         | 49.9%                 | 59.7%        | 73.7%        |
| Digital pay TV subscribers as % of standard TV subscribers     | 25.0%                 | 29.7%        | 32.2%        |
| Broadband internet subscribers as % of standard TV subscribers | 46.4%                 | 51.1%        | 56.9%        |
| Telephony subscribers as % of standard TV subscribers          | 32.0%                 | 38.3%        | 45.6%        |
| All-in-1 bundle subscribers as % of standard TV subscribers    | 21.8%                 | 35.7%        | 43.2%        |
| Total triple-play subscribers as % of standard TV subscribers  | 29.4%                 | 36.3%        | 43.8%        |

- (1) Homes passed represents all homes connected to our network directly and through third-party networks. 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 130,000, 126,000 and 127,000 homes passed by third party cable networks as at December 31, 2009, 2010 and 2011, 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 smart cards as at the dates indicated. Only subscribers who have activated smart cards 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) The increase in the number of All-in-1 bundle subscribers from December 31, 2009 to December 31, 2011 includes 152,000 non-bundle triple-play subscribers who received standard TV, broadband internet and telephony services on an individual service subscription basis and were converted to the All-in-1 bundle in December 2010.
- (6) Triple-play subscribers comprise (i) All-in-1 bundle subscribers (who subscribe for 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 for standard TV, broadband internet and telephony through individual service subscriptions rather than through our All-in-1 bundle).
- (7) Expressed as standard TV equivalents (calculated as ToM and ToM Interactive revenues divided by the consumer price for standard TV (excluding VAT)).
- (8) 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 our standard TV RGUs do not include subscribers in third-party service areas.

*Year ended December 31, 2011 compared to the year ended December 31, 2010*

Our total RGUs increased by 3.9%, from 6.7 million as at December 31, 2010 to 7.0 million as at December 31, 2011, primarily due to an increasing number of our subscribers subscribing for our All-in-1 bundle, digital pay TV services and business services. In particular, the number of subscribers to our All-in-1 bundle increased by 0.2 million subscribers, from 1.1 million subscribers as at December 31, 2010 to 1.3 million subscribers as at December 31, 2011. In addition, our broadband internet subscribers increased by 7.6%, from 1.5 million subscribers as at December 31, 2010 to 1.7 million subscribers as at December 31, 2011. Our telephony subscribers increased by 15.2%, from 1.2 million subscribers as at December 31, 2010 to 1.3 million subscribers as at December 31, 2011. Subscribers to our business services increased by 31.4% from approximately 105,000 RGUs at December 31, 2010 to 138,000 RGUs as at December 31, 2011. This increase in total RGUs was partially offset by a small decrease in our standard TV subscriber base of 3.4% from December 31, 2010 to December 31, 2011.

*Year ended December 31, 2010 compared to the year ended December 31, 2009*

Our total RGUs increased by 5.1%, from 6.4 million as at December 31, 2009 to 6.7 million as at December 31, 2010, primarily due to an increasing number of our subscribers subscribing for our All-in-1 bundle, digital pay TV services and business services. Subscriptions to our All-in-1 bundle increased by 0.4 million during the year ended December 31, 2010, from 0.7 million subscribers as at December 31, 2009 to 1.1 million subscribers as at December 31, 2010. This increase includes triple-play subscribers converting to the All-in-1 bundle. The increase in total RGUs was partially offset by a small decrease in our standard TV subscriber base of 2.5%, from 3.2 million as at December 31, 2009 to 3.1 million as at December 31, 2010.

Our digital pay TV RGUs, which represent the number of our standard TV subscribers that had activated smart cards and subscribed for one or more digital pay TV services, increased 16.2%, from 0.8 million as at December 31, 2009 to 0.9 million as at December 31, 2010, compared to a 35.5% increase in 2009. The increase in digital TV RGUs was primarily due to increased demand for digital TV service, improvements in our digital pay TV content, including our interactive TV services and high definition programming, and decreases in the cost of high definition televisions and digital receivers. As at December 31, 2010, 59.7% of our standard TV consumer subscriber base had activated smart cards and, as a result, were able to access our digital pay TV services, and 29.7% had subscribed for one or more digital pay TV services.

Our total broadband internet RGUs increased by 7.0%, from 1.4 million as at December 31, 2009 to 1.5 million as at December 31, 2010, an acceleration over the 5.4% increase in 2009, primarily due to our roll out of higher broadband internet access speeds in 2010 and an acceleration in the uptake of our All-in-1 bundle. Our telephony RGUs increased 16.3%, from 1.0 million as at December 31, 2009 to 1.2 million as at December 31, 2010, primarily as a result of acceleration in the uptake of our All-in-1 bundle.

**ARPU**

Average monthly revenue per user, or ARPU, is a measure we use to evaluate how effectively we are realizing potential revenues from subscribers. ARPU is calculated by dividing total subscription-related revenues (including telephony and digital pay TV usage revenues) for a period excluding installation and carriage fees by the average number of subscribers served in the period and by the number of months in the period.



The following table sets forth the ARPU generated by the products and services we offer.

|   | For the year ended December 31, |              |              |
|---|---------------------------------|--------------|--------------|
|   | 2009                            | 2010         | 2011         |
|   |                                 | (€)          |              |
| <b>ARPU (consumer)<sup>(1)</sup></b>  |                                 |              |              |
| Standard TV . . . . .   | 13.17                           | 13.32        | 13.49        |
| Digital pay TV <sup>(2)</sup> . . . . .   | 11.60                           | 12.55        | 13.71        |
| Broadband internet including value-added services<br>subscriptions <sup>(3)</sup> . . . . .     | 20.92                           | 21.30        | 21.60        |
| Telephony subscription including value-added services<br>subscriptions <sup>(4)</sup> . . . . . | 6.90                            | 7.49         | 7.59         |
| Telephony usage <sup>(5)</sup> . . . . .  | 12.52                           | 12.14        | 11.43        |
| <b>Blended ARPU<sup>(6)</sup></b> . . . . .   | <b>30.42</b>                    | <b>33.92</b> | <b>37.34</b> |
| <b>Blended ARPU All-in-1 bundle<sup>(7)</sup></b> . . . . .                                     | <b>39.69</b>                    | <b>41.21</b> | <b>41.77</b> |

- (1) Operating data related to ARPU is presented in euro per month (excluding VAT) for the periods indicated. Blended ARPU is calculated as the sum of total standard TV, digital pay TV, broadband internet and telephony consumer revenues (including digital pay TV and telephony usage revenues) for the period divided by the period's average monthly total standard TV consumer RGUs and divided by the number of months in that period. Based on the growth of our business revenues, we have decided to report consumer ARPU and business ARPU separately from January 2012 onwards. We do not report blended business ARPU as revenues between the different products and different types of business customers vary significantly.
- (2) ARPU for our digital pay TV is calculated by dividing the digital pay TV revenues for the period by the average monthly number of subscribers that have subscribed for one or more of our digital pay TV services and dividing by the number of months in that period.
- (3) ARPU from broadband internet is calculated by dividing broadband internet revenues, including revenues generated through value-added services subscriptions, for the period by the average monthly number of subscribers and dividing by the number of months in that period. Value-added services subscriptions include online backup, internet security and anti-virus services.
- (4) ARPU from telephony subscription is calculated by dividing telephony subscription revenues, including value-added services subscriptions, for the period by the average monthly number of subscribers and dividing by the number of months in that period. Value-added services subscriptions include second telephony lines and mobile subscriptions from the former Multikabel business.
- (5) ARPU from telephony usage is calculated by dividing total telephony usage revenues for the period by the average monthly total telephony RGUs and dividing by the number of months in that period.
- (6) Blended ARPU is calculated as the sum of total standard TV, digital pay TV, broadband internet and telephony revenues (including digital pay TV and telephony usage revenues) for the period divided by the period's average monthly total standard TV RGUs and divided by the number of months in that period.
- (7) Blended All-in-1 bundle ARPU does not include digital pay TV and telephony usage revenues.

*Year ended December 31, 2011 compared to the year ended December 31, 2010*

Blended ARPU in the year ended December 31, 2011 across all of our consumer product offerings was €37.34, an increase of €3.42 or 10.1% compared to the year ended December 31, 2010. This increase in blended ARPU was driven by the growth in the number of subscribers for our All-in-1 bundle, leading to an increase in RGUs per customer, digital pay TV services as well as by higher telephony usage compared to the prior year. Additionally, ARPU also increased following the annual general price increases of €0.50 including VAT (€0.42 excluding VAT) for our standard TV subscription as per February 1, 2011 and for our All-in-1 bundle as per March 1, 2011. ARPU in 2011 for our HFC business product offerings "Office Basis" and "Internet Plus" was approximately €54 and €69, respectively.

*Year ended December 31, 2010 compared to the year ended December 31, 2009*

Blended ARPU across all of our consumer product offerings was €33.92 per month in the year ended December 31, 2010, up €3.50 from €30.42 in the year ended December 31, 2009. This increase in blended ARPU was primarily the result of an increase in the number of subscribers subscribing for our All-in-1 bundle, the price increase as at January 1, 2010 for the All-in-1 bundle by €1.55 (including VAT), the growth in digital pay TV and telephony usage. The increase in blended ARPU was also the result of an increase of €0.12 per month in our standard TV service ARPU, which was partly driven by a 1.2% increase in our standard TV subscription prices from January 1, 2010. Furthermore, the increase in blended ARPU was also driven by an increase in revenues for digital pay TV by 34.1% compared to 2009 and an increase in revenues from telephony usage by 14.9% compared to 2009.

## **Current Trading and Prospects**

There has been no significant change in our financial or trading position since December 31, 2011. Based on our performance in 2011 and continued investment in our network and customer base, we believe Ziggo is well placed to extend its market share and continue its revenue and EBITDA growth in 2012.

In January 2012, we took advantage of low interest rates by entering into new interest rate swaps, receiving three-month Euribor and paying a fixed rate of 1.974%, for a total nominal amount of €500 million. These new interest rate swaps become effective on the expiration date of the existing swaps on March 31, 2014, and have the same maturity date (March 2017) as the majority of our existing floating rate debt.

In February, 2012 we became the first operator in the Netherlands to offer Home Box Office (HBO) premium channels to our subscribers. The offer consists of three 24-hour, commercial-free HD channels and HBO's video-on-demand service, for a monthly subscription fee of €14.95. As part of our "TV Everywhere" strategy, these services will also be made available for wireless viewing on computers, tablets and smart phones. We purchase the HBO content from our new joint venture with HBO in the Netherlands. See "Material Contracts—HBO Joint Venture Agreement". Our investment in, and the financial results from, the joint venture will be accounted for based on the equity method. For 2012 we expect that our share in funding of the joint venture will be approximately €15 million.

We plan to increase our standard TV prices on April 1, 2012 from €16.95 to €17.20. We also plan to increase the broadband internet speeds for several of our products on April 1, 2012. See "Business—Our Consumer Product Offerings".

## Results of Operations

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

|   | For the year ended December 31,   |                  |                  |
|---|-----------------------------------|------------------|------------------|
|   | 2009<br>(adjusted) <sup>(*)</sup> | 2010             | 2011             |
|   | (€ in thousands)                  |                  |                  |
| Standard TV subscription revenues . . . . .             | 499,192                           | 489,454          | 481,601          |
| Digital pay TV revenues . . . . .                       | 92,964                            | 124,637          | 151,269          |
| Total TV revenues . . . . .                             | 592,156                           | 614,091          | 632,870          |
| Broadband internet subscription revenues . . . . .      | 351,247                           | 380,832          | 415,878          |
| Telephony subscription revenues . . . . .               | 74,679                            | 96,018           | 113,485          |
| Telephony usage revenues . . . . .                      | 135,449                           | 155,648          | 170,800          |
| Total telephony revenues . . . . .                      | 210,128                           | 251,666          | 284,285          |
| Revenues from other sources . . . . .                   | 47,462                            | 51,745           | 57,437           |
| Total residential market revenues . . . . .             | 1,200,993                         | 1,298,334        | 1,390,470        |
| Business services revenues . . . . .                    | 83,402                            | 77,408           | 87,699           |
| <b>Total revenues . . . . .</b>                         | <b>1,284,395</b>                  | <b>1,375,742</b> | <b>1,478,169</b> |
| Cost of goods sold . . . . .                            | (263,276)                         | (265,036)        | (291,147)        |
| Personnel expenses . . . . .                            | (179,782)                         | (170,715)        | (175,574)        |
| Contracted work . . . . .                               | (68,352)                          | (44,833)         | (51,162)         |
| Materials and logistics . . . . .                       | (3,371)                           | (4,071)          | (6,035)          |
| Marketing and sales . . . . .                           | (55,332)                          | (62,106)         | (68,514)         |
| Office expenses . . . . .                               | (55,366)                          | (52,183)         | (49,564)         |
| Other operating expenses . . . . .                      | (10,675)                          | (1,748)          | (1,571)          |
| Amortization and impairments . . . . .                  | (215,488)                         | (218,597)        | (79,939)         |
| Depreciation and impairments . . . . .                  | (261,752)                         | (284,148)        | (268,014)        |
| Total operating expenses . . . . .                      | (1,113,394)                       | (1,103,437)      | (991,520)        |
| <b>Operating income . . . . .</b>                       | <b>171,001</b>                    | <b>272,305</b>   | <b>486,649</b>   |
| Net financial income (expense) . . . . .                | (490,218)                         | (543,965)        | (464,193)        |
| <b>Result before income taxes . . . . .</b>             | <b>(319,217)</b>                  | <b>(271,660)</b> | <b>22,456</b>    |
| Net result from joint ventures and associates . . . . . | —                                 | —                | (168)            |
| Income tax benefit (expense) . . . . .                  | 81,400                            | 71,262           | 7,784            |
| <b>Net result . . . . .</b>                             | <b>(237,817)</b>                  | <b>(200,398)</b> | <b>14,504</b>    |
| <b>Other financial information:</b>                     |                                   |                  |                  |
| EBITDA <sup>(1)</sup> . . . . .                         | 648,241                           | 775,050          | 834,602          |
| Integration costs <sup>(2)</sup> . . . . .              | 47,143                            | 8,234            | —                |
| Adjusted EBITDA <sup>(3)</sup> . . . . .                | 695,385                           | 783,284          | 834,602          |
| Adjusted EBITDA margin <sup>(4)</sup> . . . . .         | 54.1%                             | 56.9%            | 56.5%            |

(\*) See “Important Information—Presentation of Financial Information—2009 Financial Information” and note 24 to 2010 Financial Statements. This reflects adjustments made in connection with the continuation of an employee benefits plan, resulting in a €0.4 million decrease in our EBITDA and a €0.7 million decrease in our net result for 2009, as well as a €4.7 million decrease in our equity as at December 31, 2009.

(1) EBITDA represents operating income plus depreciation and amortization and is a non-IFRS measure. The EBITDA measure presented in the table above may not be comparable to similarly titled measures used by other companies. For a reconciliation of our operating income to EBITDA, see “Important Information—Non-IFRS Financial Measures”.

(2) Integration costs (which are included within total operating expenses for the years 2009 and 2010) relate to expenses incurred in connection with the integration of our three predecessor businesses, including, among other things, consultancy fees related to integration, restructuring and redundancy costs, costs related to the establishment of our single brand name “Ziggo” (which was launched in May 2008) and costs related to the consolidation of office functions at our new central office in Utrecht, which was opened in 2009.

(3) Adjusted EBITDA refers to EBITDA as adjusted to remove the effects of operating expenses incurred in connection with the integration of our predecessor businesses, which were €47.1 million and €8.2 million in the years ended December 31, 2009 and 2010, respectively. Adjusted EBITDA is a non-IFRS measure. The Adjusted EBITDA measure presented in the table above may not be comparable to similarly titled measures used by other companies. See “Important Information—Non-IFRS Financial Measures”.

- (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. See “Important Information—Non-IFRS Financial Measures”.

### **Description of Key Line Items**

**Total revenues.** Total revenues comprise total TV revenues, broadband internet subscription revenues, total telephony revenues, revenues from other sources and business services revenues, all of which are described below. We report revenues from our All-in-1 bundle within each of standard TV, broadband internet and telephony revenues on a pro rata basis in proportion to the subscription fees of each product charged on a standalone basis.

**Total TV revenues.** Total TV revenues include revenues from subscriptions to our standard TV service and revenues from subscriptions for digital pay TV 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 and revenues from value-added services subscriptions, such as second line telephony subscriptions.

**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, as well as revenues from 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 user.

**Cost of goods sold.** Cost of goods sold includes the costs for purchases of materials and services directly related to revenues and consists 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).

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

**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.

**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 we use and the cost of other outsourced work.

**Materials and logistics.** Materials and logistics expenses include costs related to technical maintenance activities done by our technical service departments which are not allowed to be capitalized 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.

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

**Amortization and impairments.** Amortization and impairments relate to the amortization and impairment of our intangible assets (including software) and the amortization of our customer lists, 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, plant and equipment over their useful lives.

**Net financial income (expense).** Net financial income (expense) includes interest income less interest expense, fair value gains and losses on derivative financial instruments, commitment, amend and extend fees for our credit facilities, amortization on capitalized funding costs in relation to our credit facilities and senior notes and exchange rate gains and losses.

#### ***Year ended December 31, 2011 Compared to the Year ended December 31, 2010***

**Total revenues.** Total revenues increased €102.5 million, or 7.4%, to €1,478.2 million for the year ended December 31, 2011 from €1,375.7 million for the year ended December 31, 2010. The increase in revenues was primarily driven by sustained growth in RGUs, reflecting an increased uptake of our All-in-1 bundle, which increased the number of triple-play customers by 16.3% and resulted in growth in both broadband internet and telephony subscriptions of 7.6% and 15.2%, 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 45.9% to €587.0 million for the year ended December 31, 2011 from €402.2 million for the year ended December 31, 2010, reflecting an increase in bundle subscribers from 1.1 million as at December 31, 2010 to 1.3 million as at December 31, 2011, including 152,000 subscribers who subscribed for standard TV, broadband internet and telephony on an individual service subscription basis and migrated to an All-in-1 bundle subscription in December 2010. All-in-1 bundle subscribers represented 43.2% of total consumer RGUs in 2011, compared with 35.7% in 2010. In addition, revenue from other sources increased by 11.0% to €57.4 million for the year ended December 31, 2011 from €51.7 million for the year ended December, 2010 as a result of a large volume of interactive and HD set-top boxes sold to customers as part of marketing campaigns to promote our All-in-1 bundles, our new TV proposition, which was introduced on September 1, 2011 and the October 2011 acquisition of Breezz, the operations of which contributed €1.5 million in revenue post-consolidation.

**Total TV revenues.** Total TV revenues increased €18.8 million, or 3.1%, to €632.9 million for the year ended December 31, 2011 from €614.1 million for the year ended December 31, 2010. The increase in total TV revenues was primarily attributable to an increase of €26.6 million in digital pay TV revenues, offset by a €7.9 million decrease in standard TV subscription revenues.

**Broadband internet subscription revenues.** Broadband internet subscription revenues increased €35.1 million, or 9.2%, to €415.9 million for the year ended December 31, 2011 from €380.8 million for the year ended December 31, 2010. This increase was primarily due to an increase in broadband internet subscribers by 7.6% from 1.5 million subscribers as at December 31, 2010 to 1.7 million subscribers as at December 31, 2011, and an increase of €0.3 per month, or 1.4%, in our broadband internet ARPU, as a result of increased subscriptions to value-added services, such as online backup, internet security and anti-virus services and the annual general price increase of €0.50 (€0.42 excluding VAT) for our All-in-1 bundle as at March 1, 2011.

**Total telephony revenues.** Total telephony revenues increased by €32.6 million, or 13.0%, to €284.3 million for the year ended December 31, 2011 from €251.7 million for the year ended December 31, 2010. This increase was due to an increase in telephony usage revenues from €155.6 million for the year ended December 31, 2010 to €170.8 million for the year ended December 31, 2011 and an increase in telephony subscription revenues from €96.0 million for the year ended December 31, 2010 to €113.5 million for the year ended December 31, 2011. The increase in usage and subscription revenues is primarily the result of an increase in the number of telephony subscribers from 1.2 million as at December 31, 2010 to 1.3 million subscribers as at December 31, 2011, partly offset by a decrease in the telephony usage ARPU of €0.71 per month. Subscribers who purchase our telephony services as part of the All-in-1 bundle typically yield a lower ARPU as they tend to be less active and have lower telephony usage rates than subscribers who purchase our telephony services on an individual subscription basis. In addition, calls to other Ziggo customers (on-net calls) were free of charge for All-in-1 bundle customers, while non-bundle triple-play customers paid 50% of the standard tariff for such calls. From September 1, 2011 onwards, calls to other Ziggo customers have also been free of charge for subscribers who purchase our telephony services on an individual subscription basis.



**Revenues from other sources.** Revenues from other sources increased €5.7 million, or 11.0%, to €57.4 million for the year ended December 31, 2011 from €51.7 million for the year ended December 31, 2010, primarily as a result of increased revenues from the sale of set-top boxes and other products to subscribers. In 2011 approximately 410,000 set-top boxes and CI+ modules were shipped compared to approximately 330,000 in 2010. The set-top boxes shipped in 2011 were sold at an attractive price as part of our marketing campaigns to promote our All-in-1 bundles and our new TV proposition, which was introduced at September 1, 2011.

**Business services revenues.** Business services revenues increased €10.3 million, or 13.3%, from €77.4 million for the year ended December 31, 2010 to €87.7 million for the year ended December 31, 2011. This includes a €1.5 million revenue contribution from Breezz, which we acquired in October 2011. Excluding the revenue contribution from the operations of Breezz post-consolidation, revenue from business services grew by 11.4% compared to 2010. This increase was primarily the result of our decision to refocus our business services strategy around a product portfolio aimed at the SoHo and SME Small segment from May 2010 onwards, leveraging the strength of our infrastructure. The number of B2B subscribers to bundle products “Internet Plus” and “Office Basis” increased by more than 12,000 subscribers to a total of 23,500 as at 31 December 2011. In total, we have increased our SoHo and SME Small business subscribers from 5,050 as at May 31, 2010 to 23,500 as at December 31, 2011.

**Cost of goods sold.** Cost of goods sold increased €26.1 million, or 9.9%, to €291.1 million for the year ended December 31, 2011 from €265.0 million for the year ended December 31, 2010. This increase was primarily driven by a higher number of set-top boxes shipped to our customers as well as higher costs for content due to the growth in digital TV and digital pay TV. In particular, in the year ended December 31, 2011 we shipped approximately 410,000 set-top boxes and CI+ modules compared to approximately 330,000 in 2010. The majority of the set-top boxes shipped in 2011 were iTV and HD, which are more expensive to acquire than SD set-boxes, which accounted for the majority of shipped boxes in 2010. In 2011 cost of goods sold as a percentage of revenues increased from 19.3% for the year ended December 31, 2010 to 19.7% for the year ended December 31, 2011.

**Personnel expenses.** Personnel expenses including integration costs increased by €4.9 million, or 2.9%, to €175.6 million for the year ended December 31, 2011 from €170.7 million for the year ended December 31, 2010. Excluding integration costs, personnel expenses increased 6.1% between the periods. This increase was the result of an increase in headcount and an increase in average salary costs by approximately 4% partly offset by capitalized personnel expenses by €2.7 million. The increase in headcount was the result of an increase in RGUs, resulting in an increase in maintenance and installation tasks for our customer services, and an increase of call volumes in our call centers following the introduction of the modem swap and due to the increase in RGUs following the successful summer campaigns. In addition, the higher headcount was also due to investments in innovation such as our new TV proposition and preparations to add mobility to our product portfolio. Costs for external employees remained stable. During the year ended December 31, 2010 we spent €5.2 million on integration.

**Contracted work.** Contracted work expenses including integration costs increased by €6.4 million, or 14.1%, to €51.2 million for the December 31, 2011 from €44.8 million for the year ended December 31, 2010. Excluding integration costs, contracted work increased by 19.1%. This increase was mainly the result of increased activities in our customer services department, as well as an increase in customer maintenance and installations at customer premises. During the year ended December 31, 2010 we spent €1.8 million on integration. Furthermore, maintenance of our network and systems increased as a result of an increase in RGUs and an increase in our network capacity.

**Materials and logistics.** Material and logistics expenses increased by €1.9 million to €6.0 million for the year ended December 31, 2011 from €4.1 million for the year ended December 31, 2010.

**Marketing and sales.** Marketing and sales expenses increased by €6.4 million, or 10.3%, to €68.5 million for the year ended December 31, 2011 from €62.1 million for the year ended December 31, 2010. This is mainly a result of increased spending on marketing campaigns and promotional campaigns to support a further growth in Digital TV and our All-in-1 bundles as well as branding and positioning of Ziggo as a premium media and entertainment company.

**Office expenses.** Office expenses decreased by €2.6 million, or 5.0%, to €49.6 million for the year ended December 31, 2011 from €52.2 million for the year ended December 31, 2010. This decrease was primarily driven by decreased expenses related to energy and other office expenses.



**Other operating expenses.** Other operating expenses decreased by €0.1 million, or 5.9%, to €1.6 million for the year ended December 31, 2011 from €1.7 million for the year ended December 31, 2010. This was driven by a lower provision for bad debt as a result of improved ageing of our trade receivables.

**Amortization and impairments.** Amortization and impairments decreased by €138.7 million from €218.6 million in the year ended December 31, 2010 to €79.9 million in the year ended December 31, 2011. This was mainly the result of the fact that, as at April 1, 2011, we are no longer amortizing our customer relationships, which has led to lower amortization charges of €132.2 million. See “Selected Financial Information—Pro Forma Financial Information” above. In addition, amortization on software decreased by €2.6 million as during the year ended December 31, 2010, an impairment of €9.8 million was recognized on an asset for which no future benefits were expected.

**Depreciation and impairments.** Depreciation and impairments decreased by €16.1 million from €284.1 million in the year ended December 31, 2010 to €268.0 million in the year ended December 31, 2011. This decrease was the result of high historical network and infrastructure investments and investments related to the merger which led to relative high depreciation expenses in recent years.

**Operating income.** Operating income increased €214.3 million, or 78.7%, to €486.6 million for the year ended December 31, 2011 from €272.3 million for the year ended December 31, 2010, primarily as a result of the increase in Adjusted EBITDA from €783.3 million in the year ended December 31, 2010 to €834.6 million in the year ended December 31, 2011, the decrease in amortization and impairments from €218.6 million in the year ended December 31, 2010 to €79.9 million in the year ended December 31, 2011 and the decrease in depreciation and impairments from €284.1 million in the year ended December 31, 2010 to €268.0 million in the year ended December 31, 2011.

**Net financial expenses.** Net financial expenses decreased by €79.8 million, or 14.7%, to an expense of €464.2 million for the year ended December 31, 2011 from an expense of €544.0 million for the year ended December 31, 2010.

**Interest income and expenses.** Interest expenses excluding interest from shareholders’ loans (which will be contributed as shares and share premium in connection with the Offering—see “Certain Relationships and Related Party Transactions—Selling Shareholders—Restructuring”) decreased to €256.6 million for the year ended December 31, 2011 from €270.0 million for the year ended December 31, 2010. A reduction of our average debt by approximately €300 million and a reduction of the blended interest rate since the fourth quarter of 2011 reduced our interest expenses compared to 2010. On September 30, 2011, the offsetting swaps and a large portion of our regular interest rate swaps expired. As a result, the blended interest rate has come down by more than one percentage point in the remainder of the year, assuming constant Euribor rates, and the percentage of our floating rate borrowings hedged has come down to approximately 72% in the fourth quarter of 2011 from approximately 100% in the third quarter of 2011.

Additionally, an amount of €9.4 million was allocated as borrowing costs on work-in-process for the year ended December 31, 2011 resulting in an interest credit; for the year ended December 31, 2010 this amounted to €13.2 million.

Interest from shareholders’ loans increased to €215.9 million for the year ended December 31, 2011 from €195.2 million for the year ended December 31, 2010. Interest on shareholders’ loans is added to the loan. These loans will be repaid in connection with the Offering.

**Banking and financing fees.** Banking and financing fees, including commitment fees, have decreased to €2.4 million for the year ended December 31, 2011 from €17.8 million for the year ended December 31, 2010, mainly due to fees of €15.1 million paid to the lenders of our senior debt in order to obtain consent for the issuance of the 8% Senior Unsecured Notes to refinance the mezzanine facility in 2010 (as described in more detail in “—Liquidity and Capital Resources—Cash Flow—Cash flow from (used in) financing activities”).

**Amortization of funding costs.** The amortization of funding cost has decreased to €14.4 million for the year ended December 31, 2011 from €53.7 million for the year ended December 31, 2010. During 2010, we fully amortized the remaining balance of the capitalized funding costs for the mezzanine facility of €11.4 million as this facility was refinanced by the issuance of the 8% Senior Unsecured Notes in the second quarter of 2010. In addition, the refinancing of our senior debt in the fourth quarter of 2010 by the issuance of the €750 million 6½% Senior Secured Notes resulted in an additional amortization of funding costs of €24.6 million in 2010.

*Other income (i.e., fair value gains and losses on interest rate swaps).* We recognized a fair value gain on interest rate hedges of €26.2 million for the year ended December 31, 2011 versus a fair value loss of €6.9 million for the year ended December 31, 2010 as a result of the negative market-to-market value that ran out of existing IRS contracts that matured in September 2011. In addition, a loss of €1.7 million on foreign exchange related to US dollar denominated purchases was recognized as a result of the increase of the US dollar against the euro.

**Income tax benefit.** Income tax benefit decreased by €79.1 million to an expense of €7.8 million for the year ended December 31, 2011 from a benefit of €71.3 million for the year ended December 31, 2010. This was primarily the result of a positive result before income taxes for the period.

**Net result.** As a result of the foregoing, the net result amounted to a gain of €14.5 million for the year ended December 31, 2011 from a loss of €200.4 million for the year ended December 31, 2010, a change of €214.9 million.

#### ***Year Ended December 31, 2010 Compared to the Year Ended December 31, 2009***

**Total revenues.** Total revenues increased €91.3 million, or 7.1%, to €1,375.7 million for the year ended December 31, 2010 from €1,284.4 million for the year ended December 31, 2009. This increase was primarily the result of growth in RGUs for our core consumer product offerings, reflecting an increase in the number of our All-in-1 bundle subscribers, the price increase for our All-in-1 bundle by €1.55 (including VAT) on January 1, 2010, an increase in revenues from digital pay TV of 34.1% and the 14.9% increase in telephony usage revenues. Bundle revenues, which is included on a pro rata basis in each of standard TV, broadband internet and telephony revenues, increased to €402.2 million for the year ended December 31, 2010 from €228.2 million for the year ended December 31, 2009. This increase is primarily the result of an increase in All-in-1 bundle subscribers from 0.7 million as at December 31, 2009, to 1.1 million as at December 31, 2010, including 0.2 million subscribers who subscribed for standard TV, broadband internet and telephony on an individual service subscription basis and migrated to an All-in-1 bundle subscription in December 2010.

**Total TV revenues.** Total TV revenues increased €21.9 million, or 3.7%, to €614.1 million for the year ended December 31, 2010 from €592.2 million for the year ended December 31, 2009. The increase in total TV revenues was primarily attributable to an increase of €31.7 million in digital pay TV revenues, offset by a €9.7 million decrease in standard TV subscription revenues.

The increase in digital pay TV revenues was primarily a result of an increase in the number of subscribers of our digital pay TV services. The percentage of our total subscriber base that had activated smart cards increased from 49.9% as at December 31, 2009 to 59.7% as at December 31, 2010, and the number of our total subscribers that purchased additional subscriptions to digital pay TV services increased by 25.0% from 0.8 million subscribers to 0.9 million subscribers, and ARPU increased from €11.60 to €12.55 over the same period. Only subscribers who have activated smart cards are able to purchase our digital pay TV services. Revenues from digital pay TV services increased by 34.1% from €93.0 million to €124.6 million.

The decrease in standard TV subscription revenues was primarily due to a 2.8% decrease in the number of our standard TV subscribers as standard TV subscribers and non-bundle triple-play subscribers converted to All-in-1 bundle subscriptions. Standard TV subscriptions on an individual basis have higher prices compared to All-in-1 bundle subscriptions as the All-in-1 bundle subscription price includes a discount of approximately 10%, which is allocated pro-rata to the individual products based on the revenue contribution of each product. The decrease in revenues related to the conversion was offset in part by an increase of €0.15 per month in our standard TV ARPU, which increased as a result of a 1.2% price increase for standard TV subscriptions from January 1, 2010. The general decline in the number of total standard TV subscribers is primarily attributable to increased competition from DTT and IPTV providers, as well as our own focus on higher value services.

**Broadband internet subscription revenues.** Broadband internet subscription revenues increased €29.6 million, or 8.4%, to €380.8 million for the year ended December 31, 2010 from €351.2 million for the year ended December 31, 2009. This increase was primarily due to an increase in broadband internet subscribers by 7.0% from 1.4 million subscribers as at December 31, 2009 to 1.5 million subscribers as at December 31, 2010, and an increase of €0.38 per month, or 1.8%, in our broadband internet ARPU, which increased mainly as a result of increased subscriptions to value-added services subscriptions such as online backup, internet security and anti-virus services. Also the percentage of subscribers who subscribed to our mid-tier All-in-1 “Plus” bundle or our mid-tier internet “Z2” products increased during the year. However

the up-sell of dual-play subscribers and the conversion of non-bundle triple-play subscribers to All-in-1 bundle subscriptions results in a bundle discount, which is allocated to the individual products based on the revenue contribution of each individual product, resulting in a lower price per product compared to the subscription prices of the individual products.

**Total telephony revenues.** Total telephony revenues increased €41.5 million to €251.7 million for the year ended December 31, 2010 from €210.1 million for the year ended December 31, 2009. This increase was caused by an increase in telephony usage revenues from €135.4 million for the year ended December 31, 2009 to €155.6 million for the year ended December 31, 2010 and an increase in telephony subscription revenues from €74.7 million for the year ended December 31, 2009 to €96.0 million for the year ended December 31, 2010. The increase in usage and subscription revenues is primarily the result of an increase in the number of telephony subscribers from 1.0 million as at December 31, 2009 to 1.2 million subscribers as at December 31, 2010, partly offset by a decrease in the telephony usage ARPU of €0.38 per month. Subscribers who purchase our telephony services as part of the All-in-1 bundle typically yield a lower ARPU as they tend to be less active and have lower telephony usage rates than subscribers who purchase our telephony services on an individual subscription basis. In addition, calls to other Ziggo customers (on-net calls) were free of charge for All-in-1 bundle customers, while non-bundle triple-play customers paid 50% of the standard tariff for such calls.

**Revenues from other sources.** Revenues from other sources increased €4.3 million, or 9.0%, to €51.7 million for the year ended December 31, 2010 from €47.5 million for the year ended December 31, 2009, primarily as a result of increased revenues from the sale of set-top boxes and other products to subscribers.

**Business services revenues.** Business services revenues decreased €6.0 million, or 7.2%, from €83.4 million for the year ended December 31, 2009 to €77.4 million for the year ended December 31, 2010. This decrease was primarily the result of certain one-off transactions in 2009, notably, the recognition of €3.4 million of deferred revenues in 2009 as a result of the termination of a subscriber contract with France Telecom, the sale in 2009 of certain network assets in Germany for €3.1 million and €0.7 million of revenues invoiced to subscribers in 2009 in respect of periods in 2008 as a result of integration. Normalized for these one-off transactions, revenues from business services increased by approximately 2% in the year ended December 31, 2010, primarily due to the launch in the second half of 2010 of our B2B services focused on the SoHo and SME Small B2B segments. We have increased our SoHo and SME Small business subscribers from 5,050 as at May 31, 2010 to 11,400 as at December 31, 2010.

**Cost of goods sold.** Cost of goods sold increased €1.8 million, or 0.7%, to €265.0 million for the year ended December 31, 2010 from €263.3 million for the year ended December 31, 2009. This increase was primarily caused by growth in digital TV and digital pay TV services and by an increase in the cost for HD channels and interactive services. Cost of goods sold as a percentage of revenues decreased from 20.5% for the year ended December 31, 2009 to 19.3% for the year ended December 31, 2010. This decrease was primarily the result of a lower discount in the price of set-top boxes sold in 2010 as compared to 2009, a lower volume of set-top boxes sold (in 2010 we shipped approximately 330,000 set top boxes and CI+ modules to our subscribers compared to approximately 580,000 in 2009) and better interconnection tariffs for telephony.

**Personnel expenses.** Personnel expenses decreased by €9.1 million, or 5.0%, to €170.7 million for the year ended December 31, 2010 from €179.8 million for the year ended December 31, 2009. The main reason for the lower personnel expenses was reduced expenses incurred on integration and the replacement of external employees, who on average are more expensive compared to internal employees. Costs for internal employees increased as a result of an increase in the average salaries due to a new collective labor agreement and individual performance, compensated by a decrease in the number of FTEs during the year by 54 from 2,257 as at December 31, 2009 to 2,203 FTEs as at December 31, 2010. Costs for external employees decreased as a result of a reduction in the number of external and temporary employees. During the integration we had to rely more on external resources, in particular for the work directly related to the integration. In addition, other staff related expenses also decreased. Total integration expenses recognized under personnel expenses came down from €19.6 million in 2009 to €5.2 million in 2010.

Personnel expenses excluding integration costs<sup>(a)</sup> increased by 3.3% from €160.2 million (excluding integration costs of €19.6 million) in 2009 to €165.5 million (excluding integration costs of €5.2 million) in 2010. This increase is related to several positive one-offs in 2009 such as a release on the anniversary provision and a higher subsidy granted for education costs. Furthermore, personnel expenses increased due to more recruitment activities in order to replace external staff with internal staff, higher education costs and costs related to operational performance projects.

**Contracted work.** Contracted work expenses including integration costs decreased by €23.5 million, or 34.4%, to €44.8 million for the year ended December 31, 2010 from €68.3 million for the year ended December 31, 2009. This decrease was partly the result of decreased amounts by €5.6 million paid to operators of external call centers and €17.9 million paid to other contractors, in particular for maintenance to our network and infrastructure and IT related maintenance. During the year ended December 31, 2010 our call volumes decreased by 23% and part of our external sourcing was replaced by our internal call center. Total integration costs spent on contracted work decreased from €17.3 million in 2009 to €1.9 million in 2010.

Contracted work excluding integration costs<sup>(a)</sup> decreased by €8.0 million, or 15.8% to €43.0 million (excluding integration costs of €1.9 million) for the year ended December 31, 2010 from €51.0 million (excluding integration costs of €17.3 million) for the year ended December 31, 2009. This decrease was the result of a decrease in call volumes and a higher portion of our call volumes being handled by internal call centers during 2010 compared to 2009 and a higher portion of network maintenance and installation activities done by internal departments rather than being outsourced to external partners.

**Materials and logistics.** Material and logistics expenses increased €0.7 million, or 20.8%, to €4.1 million for the year ended December 31, 2010 from €3.4 million for the year ended December 31, 2009, primarily as a result of a decreased volume of outsourced technical maintenance.

**Marketing and sales.** Marketing and sales expenses increased by €6.8 million, or 12.2%, to €62.1 million for the year ended December 31, 2010 from €55.3 million for the year ended December 31, 2009. This is mainly a result of more extensive marketing campaigns and branding and the introduction of “Zie-magazine”, our quarterly magazine which informs our subscribers in depth about our products and services.

**Office expenses.** Office expenses decreased by €3.2 million, or 5.7%, to €52.2 million for the year ended December 31, 2010 from €55.4 million for the year ended December 31, 2009. This decrease was the result of lower integration expenses. Integration expenses decreased from €5.3 million in 2009 to €2.1 million 2010.

**Other operating expenses.** Other operating expenses including integration costs decreased by €9.0 million, or 83.6%, to €1.7 million for the year ended December 31, 2010 from €10.7 million for the year ended

(a)

|   | For the year ended<br>December 31, |              |
|---|------------------------------------|--------------|
|   | 2009<br>(adjusted) <sup>(*)</sup>  | 2010         |
|   | (€ in millions)                    |              |
| Personnel expenses . . . . .                                    | 179.8                              | 170.7        |
| Integration costs . . . . .                                     | 19.6                               | 5.2          |
| <b>Personnel expenses excluding integration costs . . . . .</b> | <b>160.2</b>                       | <b>165.5</b> |

|  | For the year ended<br>December 31, |             |
|--|------------------------------------|-------------|
|  | 2009<br>(adjusted) <sup>(*)</sup>  | 2010        |
|  | (€ in millions)                    |             |
| Contracted work . . . . .                                    | 68.3                               | 44.9        |
| Integration costs . . . . .                                  | 17.3                               | 1.9         |
| <b>Contracted work excluding integration costs . . . . .</b> | <b>51.0</b>                        | <b>43.0</b> |

(\*) See “Important Information—Presentation of Financial Information—2009 Financial Information” and note 24 to 2010 Financial Statements. This reflects adjustments made in connection with the continuation of an employee benefits plan, resulting in a €0.4 million decrease in our EBITDA and a €0.7 million decrease in our net result for 2009, as well as a €4.7 million decrease in our equity as at December 31, 2009.



December 31, 2009. This decrease was the result of lower integration expenses and a lower addition to the provision for bad debt as the overall ageing and quality of the trade accounts receivables have improved during 2010. Integration expenses decreased by €5.5 million.

**Amortization and impairments.** Amortization and impairments increased by €3.1 million from €215.5 million in 2009 to €218.6 million in 2010. This increase is related to impairments on software of €9.8 million as the expected future benefits of the related projects decreased over time, partly offset by lower amortization costs on software.

**Depreciation and impairments.** Depreciation and impairments increased by €22.3 million from €261.8 million in 2009 to €284.1 million in 2010. This increase was primarily due to an increase in depreciation related to relatively high capital expenditure during the years ended December 31, 2008 and 2009 as a result of the capital expenditure on the integration and harmonization of the three networks and infrastructures of the predecessor businesses. The increase was also caused by an impairment of €1.0 million for certain assets as the expected future benefits of the assets deteriorated during the year. Excluding the impairment, total depreciation and amortization in 2010 increased by 3.1% compared to 2009.

**Operating income.** Operating income increased €101.3 million, or 59.2%, to €272.3 million for the year ended December 31, 2010 from €171.0 million for the year ended December 31, 2009, primarily as a result of the increase in revenues from €1,284.4 million in the year ended December 31, 2009 to €1,375.7 million in the year ended December 31, 2010 and the decrease in integration costs from €47.1 million in the year ended December 31, 2009 to €8.2 million in the year ended December 31, 2010, partly offset by the increase in depreciation and amortization from €477.2 million in the year ended December 31, 2009 to €502.7 million in the year ended December 31, 2010.

**Net financial expense.** Net financial expense increased €53.8 million, or 11.0%, to an expense of €544.0 million for the year ended December 31, 2010 from an expense of €490.2 million for the year ended December 31, 2009.

**Interest income and expenses.** Interest expenses excluding interest from shareholders' loans (which will be contributed as shares and share premium in connection with the Offering—see “Certain Relationships and Related Party Transactions—Selling Shareholders—Restructuring”) decreased to €270.0 million in 2010 compared to €301.8 million for the year ended December 31, 2009. A lower average balance for interest-bearing debt, the refinancing of our mezzanine facility with the 8% Senior Unsecured Notes against a lower interest rate and a lower average Euribor resulted in a decrease in interest costs. Additionally, an amount of €13.2 million was allocated as borrowing costs on work-in-process for the year resulting in an interest credit; in 2009 this amounted to €3.4 million.

Interest from shareholders' loans increased to €195.2 million from €176.6 million in 2009. Interest on shareholders' loans is added to the loan. These loans will be repaid in connection with the Offering.

**Banking and financing fees.** Banking and financing fees have increased to €17.8 million mainly due to fees of €15.1 million paid to the lenders of our senior debt in order to obtain consent for the issuance of the 8% Senior Unsecured Notes to refinance the mezzanine facility, as described in more detail below in “—Liquidity and Capital Resources—Cash Flow—Cash flow from (used in) financing activities”. Excluding these consent fees, banking and financing fees would have decreased by 23.9%. This decrease is mainly the result of renewed price arrangements with the banks.

**Amortization of funding costs.** The amortization of funding cost has increased to €53.7 million in 2010 from €17.3 million in the prior year. Due to the refinancing of the mezzanine facility, the remaining capitalized funding costs for this facility, amounting to €11.4 million, were fully amortized in the second quarter. Similarly, the refinancing of part of our senior debt resulted in an additional amortization of the funding costs of €24.6 million in the fourth quarter of 2010.

**Other income (i.e., fair value gains and losses on interest rate swaps).** As a result of the issuance of the 8% Senior Unsecured Notes, the floating interest position decreased by €1.2 billion. Consequently, we adjusted our hedge position by partly offsetting our existing interest rate swap (IRS) position in order to offset the over-hedged position. With the issuance of the €750 million 6½% Senior Secured Notes on October 28, 2010, we decided not to change our interest rate swaps position. As approximately 94% of our debt was at a fixed rate, we no longer complied with hedge accounting for interest rate swaps under IFRS. This means that any future change in fair value must be recognized as financial income and expense. Since

the issuance of the 6½% Senior Secured Notes and until December 31, 2010, we incurred a loss of €6.9 million for fair value gains and losses on our financial derivatives. If interest rates rise, this loss will reverse. As expiration dates of the IRS contracts come closer, fair value changes of the financial derivatives will be reduced to nil.

**Income tax benefit.** Income tax benefit decreased €10.1 million, or 12.5%, to €71.3 million for the year ended December 31, 2010 from a benefit of €81.4 million for the year ended December 31, 2009. This decrease was primarily the result of a lower loss before income taxes for the year ended December 31, 2010.

**Net loss.** As a result of the foregoing, net loss decreased €37.4 million to a loss of €200.4 million for the year ended December 31, 2010 from a loss of €237.8 million for the year ended December 31, 2009.

### **Liquidity and Capital Resources**

We are financed through a combination of equity as well as subordinated shareholder loans and senior secured loans and senior secured and unsecured notes. As at December 31, 2011 there was an equity deficit for Zesko B.V. of €1,061.7 million (December 31, 2010: €1,083.5 million deficit). The negative equity has no influence on our operational performance and our ability to finance operations. As at December 31, 2011, our shareholder loans amounted to €2,281.2 million, and in connection with the Offering, those shareholder loans will be converted into equity—for more information, see the pro forma financial information in Section E of “Financial Information” in this Prospectus. We made prepayments on our loans of €248.4 million in the year ended December 31, 2011.

We maintain cash and cash equivalents to fund the day-to-day requirements of our business. We hold cash primarily in euro. Historically, we have relied primarily upon bank borrowings under senior secured credit facilities and cash flow from operations to provide funds required for investments in capital expenditures and operations.

Our principal source of liquidity on an ongoing basis has been our operating cash flow. 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.

As at December 31, 2011, we had €112.6 million in cash and cash equivalents, €2,133.3 million of debt under our senior secured credit facilities (including €750 million of the 6½% Senior Secured Notes), and €1,208.9 million of the 8% Senior Unsecured Notes outstanding. In addition, we have available a revolving credit facility of €150.0 million, which is covered by a committed bilateral ancillary facility of €50.0 million. As at December 31, 2011, this facility was undrawn.

### **Overview of Financing Instruments**

As at December 31, 2011, our total net non-current debt, which represents the combined book value of the Group’s debt, was €3,257.2 million, not including loans totaling €2,281.2 million from our indirect parent company Even Investments 2 S.à r.l., which will be converted to shares and share premium on implementation of the Restructuring. See “Certain Relationships and Related Party Transactions—Selling Shareholders—Restructuring”.

As at December 31, 2011, we had senior secured credit facilities consisting of two term loans (Term Loan B Facility and Term Loan F Facility) in an aggregate principal amount of €1,383.3 million, compared to the €1,631.8 million as at December 31, 2010. This reduction reflects the prepayment of our senior credit facilities of €248.4 million during the year ended December 31, 2011. As at December 31, 2011, the amount outstanding under the Term Loan B Facility was €922.9 million. This term loan matures in 2017 and carries an interest rate of 3.00% over Euribor, reduced from 3.25% over Euribor on October 21, 2011 following the reduction of the ratio of consolidated total net borrowings to adjusted consolidated EBITDA (the definition of which in the Senior Credit Agreement is identical to the definition of “Adjusted EBITDA” in this prospectus) to below 4.0:1. The amount outstanding under the Term Loan F Facility as at December 31, 2011 was €460.4 million. This loan matures in 2017 and carries an interest rate of 3.25% over Euribor.

This position reflects an amend and extend agreement entered into with certain of our lenders on May 6, 2011, which resulted in 89% of the balance of our Term Loan B Facility being extended by 2.5 years to 2017 at a margin of 3.25% over Euribor at the then applicable ratio of consolidated total net borrowings to



adjusted consolidated EBITDA, and the Term Loan C Facility and the Second Lien Term Loan D Facility being refinanced with a new Term Loan F Facility, also due in 2017 and with a margin of 3.25% over Euribor. It also reflects two prepayments: in July 2011, we prepaid the balance of our Term Loan B facility that was not extended under the amend and extend agreement, which amounted to €21.2 million as at June 30, 2011, and in August 2011, we repaid €50.0 million of the remaining balance of the extended Term B Loan facility.

We also have €750 million in principal of 6.125% (effective rate of interest 6.37%) senior secured notes outstanding with a maturity in 2017 (the “6½% Senior Secured Notes”) and €1,208.9 million in principal of 8.0% (effective rate of interest 8.38%) senior unsecured notes due 2018 (the “8% Senior Unsecured Notes”).

Following the amend and extend agreement entered into with certain of our lenders on May 6, 2011, we have replaced our committed revolving credit facility of €144 million with a new uncommitted revolving credit facility of €150 million expiring in September 2017, of which €50 million has been made available by means of a committed bilateral ancillary facility of €50 million with Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A., expiring in September 2014. We have not drawn any amounts under either facility. We pay an annual fee for the availability of this facility of 0.40% of the applicable ancillary facility margin of the undrawn amount of the Ancillary Facility, which is recognized in financial income and expense.

For more information about these facilities and the amend and extend agreement, see “Material Contracts—Senior Credit Agreement”.

As at December 31, 2010, approximately 94% of our floating interest rate debt was hedged at fixed interest rates of 3.55% to 3.84% through contracts of mixed duration. On September 30, 2011, part of our derivatives contracts expired. We had also entered into swaps to offset an overhedged position that we otherwise would have had after the issue of the 8% Senior Unsecured Notes in April 2010. For these swaps we paid three-month Euribor and received a fixed rate of approximately 0.92%. A large portion of our swaps also expired on September 30, 2011, which resulted in a reduction in our weighted average cost of debt from approximately 8.1% as at September 30, 2011 to approximately 6.74% as at December 31, 2011 (assuming effective Euribor rates at that date). As at December 31, 2011, approximately 72% of our floating interest rate debt was hedged at fixed interest rates of 3.55% to 3.59% through contracts that will expire on March 31, 2014.

In January 2012, we took advantage of low interest rates by entering into new interest rate swaps, receiving three-month Euribor and paying a fixed rate of 1.974%, for a total nominal amount of €500 million. These new interest rate swaps become effective on the expiration date of the existing swaps on March 31, 2014, and have the same maturity date (March 2017) as the majority of our existing floating rate debt.

Furthermore, we have interest-bearing loans from our indirect parent company Even Investments 2 S.à r.l. (the “shareholder loans”), which are repayable in full at the end of 2015. As at December 31, 2011, these shareholder loans amounted to €2,281.2 million. The interest expense for these loans in the year ended December 31, 2011 amounted to €215.9 million and is added to the principal of the loans. In connection with the Offering, Even Investments 2 S.à r.l. will contribute these loans to Zesko B.V. (which will be acquired by Ziggo N.V. on implementation of the Restructuring) as shares and share premium. See “Certain Relationships and Related Party Transactions—Selling Shareholders—Restructuring” and the pro forma financial information in Section E of “Financial Information” in this Prospectus.

The table below sets out the interest rates, maturity dates and balances of our interest-bearing loans as at December 31, 2011.

|   | Interest rate   | Maturity    | Balance<br>(€ in thousands)           |
|---|-----------------|-------------|---------------------------------------|
| <b>Senior credit facilities</b>                           |                 |             |                                       |
| Term Loan B Facility <sup>(1)</sup> . . . . .             | Euribor + 3.00% | 2017        | 922,906                               |
| Term Loan E Facility (6⅞% Senior Secured Notes) . . . . . | 6.125%          | 2017        | 750,000                               |
| Term Loan F Facility . . . . .                            | Euribor + 3.25% | 2017        | 460,431                               |
| <b>Total</b> . . . . .                                    |                 |             | <b>2,133,336</b>                      |
| <b>8.0% Senior Unsecured Notes</b> . . . . .              | <b>8.00%</b>    | <b>2018</b> | <b>1,208,850</b>                      |
| <b>Shareholder loans<sup>(2)</sup></b>                    |                 |             |                                       |
| Shareholder Loan 1A . . . . .                             | 10.08%          | 2015        | 699,445                               |
| Shareholder Loan 1B . . . . .                             | 10.08%          | 2015        | 1,215,441                             |
| Shareholder Loan 2 . . . . .                              | 10.08%          | 2015        | 148,767                               |
| Shareholder Loan . . . . .                                | 14.125%         | 2015        | 217,455                               |
| Advance . . . . .   | 0%              | N/A         | 110                                   |
|   |                 |             | <u>2,281,218</u>                      |
| <b>Total interest-bearing loans</b> . . . . .             |                 |             | <b><u>5,623,405</u><sup>(3)</sup></b> |

(1) The interest on the Term Loan B Facility decreased from Euribor + 3.25% to Euribor + 3.00% from October 21, 2011 following the reduction of the ratio of consolidated total net borrowings to adjusted consolidated EBITDA to below 4.0:1.

(2) The shareholder loans will be converted to shares and share premium of Zesko B.V. on implementation of the Restructuring. See “Certain Relationships and Related Party Transactions—Selling Shareholders—Restructuring”.

(3) Excluding the shareholder loans described in footnote 2, our total net non-current debt was €3,257 million as at December 31, 2011.

Under the senior secured credit facilities, certain of our subsidiaries are obligated to comply with an interest coverage ratio and a net leverage ratio each quarter. See “Material Contracts—Senior Credit Agreement—Covenants” for more detail. We met all these financial covenants in, as applicable, each quarter of 2009, 2010 and 2011. Based on our anticipated cash flows and capital expenditure plans, Management believes we have sufficient headroom in respect of these covenants. However, if events beyond our control result in non-compliance, an event of default could be declared. See “Risk Factors—Risks Related to Our Financial Profile—Restrictive covenants in our debt instruments may restrict our ability to operate our business—Our failure to comply with these covenants could constitute events of default under those agreements that could materially and adversely affect our financial condition and results of operations”. Prepayment of the facilities is mandatory in the event of a change of control or a sale of all or substantially all of our assets. A change in control only applies when any party other than the original investors acquires more than 30% of the voting rights. For more details on the senior secured credit facilities and the notes. See “Dividend Policy” and “Material Contracts”.

In addition, our debt obligations contain covenants significantly restricting our ability to, among other things incur additional indebtedness, pay dividends or make other distributions, make certain other restricted payments and investments, create liens, impose restrictions on the ability of our subsidiaries to pay dividends or make other payments to us, transfer or sell assets, merge or consolidate with other entities and enter into transactions with affiliates. Such debt obligations also impose restrictions on the ability of our subsidiaries to pay us dividends and lend funds to us. See “Dividend Policy”.

Ziggo Bond Company B.V. has a corporate credit rating of Ba2 from Moody’s Investor Service Ltd (“Moody’s”) and B+ from Standard & Poor’s Credit Market Services France SAS, an entity established in the European Union that houses S&P Rating Services’ French operations (“Standard & Poor’s”). Our 6⅞% Senior Secured Notes have a credit rating of Ba1 from Moody’s and BB from Standard & Poor’s, and our 8% Senior Unsecured Notes have a credit rating of B1 from Moody’s and B from Standard & Poor’s. On March 5, 2012, Moody’s announced that they have placed Ziggo Bond Company B.V.’s ratings under review for possible upgrade following our announcement of our intention to launch an initial public offering. Moody’s and Standard & Poor’s are established in the European Community and, as of the date of this Prospectus, are registered as credit rating agencies in accordance with the Regulation (EC) no

1060/2009 of the European Parliament and of the Council of September 16, 2009 on Credit Rating Agencies.

Our interest expense for the year ended December 31, 2011 was €472.5 million (of which €215.9 million was in relation to shareholder loans), compared to €465.3 million (of which €195.2 million was in relation to shareholder loans) in the year ended December 31, 2010.

We believe that the working capital available to us is sufficient for our present requirements, that is for at least the next twelve months following the date of this Prospectus.

### **Cash Flow**

The table below summarizes our consolidated cash flow for the years ended December 31, 2009, 2010 and 2011.

|   | <b>For the year ended December 31,</b> |              |               |
|---|--|--------------|---------------|
|   | <b>2009</b>                            | <b>2010</b>  | <b>2011</b>   |
| Cash flow from operating activities . . . . .                         | 687,634                                | 755,562      | 819,866       |
| Cash flow from (used in) investing activities . . . . .               | (253,576)                              | (202,523)    | (249,839)     |
| Cash flow from (used in) financing activities . . . . .               | (411,405)                              | (551,333)    | (524,396)     |
| <b>Net increase (decrease) in cash and cash equivalents . . . . .</b> | <b>22,653</b>                          | <b>1,706</b> | <b>45,631</b> |

**Cash flow from operating activities.** Cash flow from operating activities increased by €64.3 million from a cash inflow of €755.6 million for the year ended December 31, 2010 to a cash inflow of €819.9 million for the year ended December 31, 2011. This increase was primarily driven by a higher operating income in the year ended December 31, 2011 compared to the year ended December 31, 2010, and a cash outflow from a change in working capital of €6.8 million for the year ended December 31, 2011 versus a cash outflow from a change in net working capital of €13.7 million for the year ended December 31, 2010 and a cash outflow from the movement in provision of €8.0 million for the year ended December 31, 2011 compared to a cash outflow of €5.8 million for the year ended December 31, 2010. The change was mainly the result of a decrease in other current liabilities, following increased spending on set-top boxes and capital expenditure. In addition, Ziggo recorded an increase in inventories as our stock level for interactive set-top boxes increased to prepare for promotional campaigns for our digital TV proposition and All-in-1 bundle in the first quarter of 2012.

Cash flow from operating activities increased by 9.9% to €755.6 million in the year ended December 31, 2010, compared to €687.6 million in the prior year. This is mainly due to an increase in our operating income by €101.3 million from an operating income of €171.0 million for the year ended December 31, 2009 to an operating income of €272.3 million for the year ended December 31, 2010, an increase in depreciation and amortization charges by €25.5 million, a cash outflow from the movement in provisions in 2010 by €5.8 million in 2010 while the provisions increased by €5.0 million in 2009 and an increase in net working capital of €13.7 million, which negatively affected cash flow from operating activities, compared to a decrease in net working capital of €34.4 million in the year ended December 31, 2009. The net working capital increase results from a relatively high balance of current liabilities at December 31, 2009, following high capital expenditures in the last months of 2009. This resulted in a cash outflow from the increase in net working capital in 2010.

**Cash flow used in investing activities.** Cash flow used in investing activities increased by €47.3 million from a cash outflow of €202.5 million for the year ended December 31, 2010 to a cash outflow of €249.8 million for the year ended December 31, 2011. Excluding integration and acquisition capital expenditure, capital expenditure increased by 38.7% from €175.2 million for the year ended December 31, 2010 to €242.9 million for the year ended December 31, 2011, predominantly as a result of the accelerated growth and installation in new subscribers for our broadband internet and interactive TV offerings, the continuing roll-out of new EuroDocsis 3.0 modems and investments in our core infrastructure to facilitate the addition of mobility to our existing product portfolio. During 2011, approximately 346,000 EuroDocsis 2.0 modems were swapped with EuroDocsis 3.0 modems, resulting in additional capital expenditure of approximately €22 million. In 2011 we rolled out approximately 617,000 high-speed modems to existing and new customers of which approximately 496,000 were WiFi enabled. Each such high-speed modem/WiFi router costs us approximately €65 to €75. The costs of the modems and modem/WiFi routers are depreciated over

three years. In total, as at December 31, 2011, approximately 995,000 high speed modems were activated in our network of which 423,000 were WiFi enabled.

Cash flow from investing activities decreased by €51.1 million from a cash outflow of €253.6 million for the year ended December 31, 2009 to a cash outflow of €202.5 million for the year ended December 31, 2010. This decrease was primarily driven by a decrease of €14.8 million to €27.5 million in 2010 from €42.3 million in 2009 for integration capital expenditures and a decrease by €34.3 million for non-integration capital expenditure to €175.2 million in 2010 from €209.5 million in 2009. Capital expenditure in 2010 was relatively low compared to previous years due to our decision to spend a portion of our budgeted 2010 capital expenditures during the latter months of 2009 on the completion of the network upgrade to EuroDocsis 3.0, the finalization of the integration and harmonization of our predecessor businesses in the course of 2010 and the delay of the availability of EuroDocsis 3.0 modems in 2010 towards the end of the year. A program to swap EuroDocsis 2.0 modems for EuroDocsis 3.0 modems at customer premises, to make our highest internet speeds available for a broader group of subscribers, started in November 2010, will continue in 2011 and 2012 and is expected to be completed in 2013.

For additional information on our capital expenditures, see “—Capital Expenditure” below.

**Cash flow from (used in) financing activities.** Cash flow used in financing activities decreased by €26.9 million from a cash outflow of €551.3 million for the year ended December 31, 2010 to a cash outflow of €524.4 million for the year ended December 31, 2011. During 2011, we made prepayments of €248.4 million on our senior debt. The interest paid increased by €24.3 million from €242.7 million in 2010 to €267.0 million in 2011. This was the result of accrued interest of €21.8 million on the mezzanine loan until it was refinanced by the issuance of the unsecured notes in May 2010, as well as €20.0 million of interest accrued in 2010 for the senior secured and senior unsecured notes. The senior unsecured notes were only issued in May 2010 while the senior secured notes were issued in October 2010 and therefore no coupon was payable over 2010. As at December 31, 2011, accrued interest for the senior secured and senior unsecured notes was €17.8 million.

In 2011, we amended and extended part of our senior credit facilities through the issuance of the Term Loan F Facility, as described in more detail in “—Overview of Financing Instruments” above. Total prepayments, excluding the amended and extended part of the senior credit facilities, amounted to €248.4 million as at December 31, 2011 and €254.5 million as at December 31, 2010, excluding the prepayment of the Company’s mezzanine loan in the amount of €1,181.1 million.

On May 7, 2010, we successfully completed the refinancing of a mezzanine facility by the placement of €1,208.9 million 8% Senior Unsecured Notes and repaid this mezzanine loan of €1,181.1 million, including PIK-interest and regular cash interest accrued until May 7, 2010. As a result of the refinancing, we incurred financing fees of €40.9 million, comprising fees of €15.1 million paid to the senior debt lenders in order to get their consent for the issuance of our senior unsecured notes and €25.9 million in banking and advisory fees paid in relation to the issuance of our 8% Senior Unsecured Notes, which have been capitalized and will be amortized over the term of these notes.

On October 28, 2010, we successfully completed the refinancing of part of our senior debt obligations by the placement of the €750 million 6⅞% Senior Secured Notes. As a result of this refinancing we incurred €10.6 million in banking and advisory fees in relation to the issuance of the 6⅞% Senior Secured Notes, which have been capitalized and will be amortized over the maturity of the senior secured notes.

During 2010, we made prepayments of €273 million on our senior debt obligations, compared to €160 million in the previous year.

Interest paid in 2010 amounted to €242.7 million, a decrease of 3.2% compared to €250.8 million in 2009. Although our senior debt obligations have decreased by €273.5 million and the prepayment of the mezzanine loan reduced the effective blended interest rate, cash interest has fallen by only 2.4% as the interest rate on the mezzanine loan consisted of a non cash interest component (PIK interest) of 4.75%, which was accrued and added to the outstanding principal amount. In 2009, €53.8 million of interest costs on the mezzanine loan was accrued and added to the principal amount compared to €21.8 million in 2010 before the mezzanine loan was repaid on May 7 of that year.

### **Contractual Obligations**

The following table summarizes the financial payments that we will be obligated to make under our contractual commitments as at December 31, 2011. The information presented in the table below reflects

management's estimates of the contractual maturities of our obligations. These maturities may differ significantly from the actual maturity of these obligations.

|  | Expected cash payments falling due |               |               |                     |
|--|------------------------------------|---------------|---------------|---------------------|
|  | Total                              | 2012          | 2013-2016     | 2017 and thereafter |
|  | (€ in thousands)                   |               |               |                     |
| <b>Contractual obligations</b>           |                                    |               |               |                     |
| Building leases . . . . .                | 48,858                             | 6,330         | 27,440        | 15,088              |
| Other contracts <sup>(1)</sup> . . . . . | 15,904                             | 6,160         | 9,744         | —                   |
| Long-term debt obligations . . . . .     | —                                  | —             | —             | —                   |
| <b>Total</b> . . . . .                   | <b>64,762</b>                      | <b>12,490</b> | <b>37,184</b> | <b>15,088</b>       |

(1) Includes leases of office equipment and vehicles and various maintenance and support contracts primarily relating to the maintenance and support of network equipment.

We have obligations under defined benefit and defined contribution pension schemes. Our cash outflow from these obligations will vary with a number of factors. Payments to these pension schemes are recognized on the income statement under personnel expenses as employee benefit expenses when they are due. In 2009, 2010 and 2011, these expenses amounted to €13.7 million, €15.1 million and €15.4 million, respectively. For more information, see note 19 “Provisions” of our Historical Consolidated Financial Information included in this Prospectus.

### Capital Expenditure

Our capital expenditure relates primarily to the purchase of property and equipment, including expansion of the network in terms of capacity and new homes connected, growth in RGUs and maintenance of our network and infrastructure, purchase of intangible assets such as software and acquisitions. Therefore, capital expenditure is primarily driven by extending, upgrading and maintaining our network, the installation and in-home wiring for new subscribers and the cost of cable modems, including high-speed modems for our subscribers for our high-speed broadband internet. Our capital expenditure historically also related to the integration costs of our predecessor businesses.

In 2011 we rolled out approximately 617,000 high-speed modems to existing and new customers of which approximately 496,000 were WiFi enabled. Each such high-speed modem/WiFi router costs us approximately €65 to €75. The costs of the modems and modem/WiFi routers are depreciated over three years. In total, as at December 31, 2011, approximately 995,000 high speed modems were activated in our network of which 423,000 were WiFi enabled.

Capital expenditure also includes increases in intangible assets (except our customer list) and does not include financial assets. As part of our strategy to focus capital expenditures on improving returns, we have instituted measures to ensure the most efficient usage of capital investment. We intend to manage capital expenditures to maintain our well-invested asset base. The members of our Management Board review all existing capital expenditure programs, and will review and approve all future programs.

Over the next several years, our capital expenditures will be largely success and capacity based. Success and capacity based capital expenditure includes capital expenditure related to the expansion of our network footprint to additional homes, the provision of EuroDocsis 3.0 modem/WiFi routers to new subscribers and existing subscribers, expanding network capacity and new product and service development and expenditure incurred in connecting business subscribers to our network either via HFC connections or selectively via fiber only connections. Success based capital expenditures does not include capital expenditure for maintenance, upgrade and replacement of our systems and infrastructure.

We will continue to invest in our services and infrastructure in order to maintain and strengthen our competitive position. In the longer term, we expect capital expenditure of approximately 16% of revenues per annum, with 2012 to 2014 capital expenditure including the expenditure on the modem swap program. We intend to invest an additional amount of €30 million in 2012 and approximately €60 to €70 million in total over 2013-2014 to develop new services and to upgrade and adapt our core IT systems to facilitate these new services for our customers, such as mobility and “TV Everywhere”. Examples are systems that facilitate CRM, billing, usage recording, provisioning, mediation and identity management. These amounts also include approximately €2 million to roll out a small LTE network for pilot customers in an area of 80 square kilometers by May 2012, and approximately €5 to €10 million to roll out a LTE network in an



area of 800 km<sup>2</sup> by May 2015, both to satisfy the roll-out obligations for our mobile licenses. The total expected capital expenditure for 2012 will be approximately €280 million.

The table below sets forth our capital expenditure and our capital expenditure ratio (as defined below) for the years ended December 31, 2009, 2010 and 2011.

|  | For the year ended December 31, |              |              |
|--|---------------------------------|--------------|--------------|
|  | 2009                            | 2010         | 2011         |
|  | (€ in millions, except %)       |              |              |
| <b>Capital Expenditures:</b>                             |                                 |              |              |
| Non-integration capital expenditure . . . . .            | 209.5                           | 175.2        | 242.9        |
| Acquisition capital expenditure . . . . .                | —                               | —            | 7.4          |
| Integration capital expenditure <sup>(1)</sup> . . . . . | 42.3                            | 27.5         | —            |
| <b>Total capital expenditure . . . . .</b>               | <b>251.8</b>                    | <b>202.7</b> | <b>250.3</b> |
| Capital expenditure ratio <sup>(2)</sup> . . . . .       | 16.3%                           | 12.7%        | 16.4%        |

(1) Integration capital expenditure is capital expenditures related to the integration of the predecessor businesses.

(2) Capital expenditure ratio represents non-integration capital expenditure as a percentage of total revenues.

In the year ended December 31, 2011, total capital expenditures were €250.3 million, an increase of €47.6 million from €202.7 million in the year ended December 31, 2010. The increase in capital expenditures was primarily the result of the modem swap, the increased number of customer installations and investments in the backbone capacity to accommodate increasing demand for bandwidth capacity. During 2011, we swapped 346,000 modems. On October 13, 2011, we acquired Breezz, a provider of telecom services for the B2B SME market, for total cash consideration of €7.4 million.

In the year ended December 31, 2010, total capital expenditures were €202.7 million, compared with €251.8 million in the year ended December 31, 2009. Of this 2010 amount, approximately €27.5 million was integration capital expenditure, compared with €42.3 million in 2009. Non-integration capital expenditures decreased €34.3 million to €175.2 million in the year ended December 31, 2010 from €209.5 million in the year ended December 31, 2009. Non-integration capital expenditure related to customer installations, modem installations at customer premises, growth of our network capacity to accommodate our increased subscriber base for broadband internet and broadband internet speed requirements and maintenance and replacement of network equipment and recurring investments in our IT platforms and systems. Non-integration capital expenditure in 2010 was relatively low compared to previous years as the focus was to finish the integration and harmonization of the three networks which started in 2008, the decision to expend a portion of our budgeted 2010 capital expenditures during the latter months of 2009 and the delay of the availability of EuroDocsis 3.0 modems in 2010 towards the end of the year. A program to swap EuroDocsis 2.0 modems for EuroDocsis 3.0 modems at the customer premises, to make our highest internet speeds available for a broader group of customers, started in November 2010 and will continue in 2011 and 2012. We did not make any significant acquisitions during the years ended December 31, 2009 and 2010.

#### 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 financial condition, results of operations, liquidity, capital expenditure or capital resources, except with respect to our interest rate hedging.

#### 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 hedging 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. As at December 31, 2011, we had hedged approximately 72% of our variable interest debt. The fair value of these hedges amounted to a credit of €15.1 million as at December 31, 2010, compared to a credit of €7.8 million as at December 31, 2011.



The outstanding amount of our floating interest rate debt decreased by €1,208 million as a result of prepayment of our mezzanine debt in May 2010, which left us over-hedged in respect of interest rate risk. Accordingly, we adjusted our hedge position by entering into new agreements to partially offset our existing interest rate swap agreements. The outstanding amount of our variable interest rate debt decreased further by €750 million as a result of prepayment of part of our senior debt in October 2010 through the proceeds from the issuance of 6½% Senior Secured Notes. Since the issuance of our 6½% Senior Secured Notes in October 2010, any change in the fair value of our interest rate swaps must be recognized as financial income and expense as we no longer comply with the requirements for hedge accounting under IFRS. The cash flow hedge reserve recognized within other comprehensive income will be reclassified to fair value (gains) losses in the same periods during which the hedge forecasted cash flows affect the consolidated income statement. Due to some of the IRS contracts expiring on September 30, 2011, our hedge position was reduced to 72% as at December 31, 2011, and the fair value of the remaining IRS contracts amounted to a credit of €7.8 million. The remaining contracts will expire in 2014.

For more information on our financial risks and sensitivity analyses, see note 22 “Financial Risks” of our Historical Consolidated Financial Information included in this Prospectus.

### **Critical Accounting Policies**

Our financial information included in this Prospectus has been prepared and presented in accordance with IFRS. See “Important Information—Presentation of Financial Information” and the notes to the Historical Consolidated Financial Information contained in this Prospectus. In particular, see note 3 “Significant accounting policies”.

The preparation of 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 expenditure 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.

## INDUSTRY AND MARKET OVERVIEW

### The Netherlands

We operate our cable business in the Netherlands, which, at the end of 2010, had a population of approximately 16.7 million and 7.5 million households, according to CBS. As at December 31, 2011, our network covered approximately 56% of the Netherlands as measured by homes passed, including a number of metropolitan centers such as The Hague, Utrecht, Maastricht, Groningen and Tilburg.

The Netherlands constitutes the sixth largest economy in Europe as measured by GDP. It is one of the continent's most prosperous countries, with a GDP per capita of €35,500 according to CBS. This is the second highest in the European Union (EU 27), according to CBS and the tenth<sup>(1)</sup> highest worldwide according to Global Insight. According to CBS, public debt in the Netherlands amounted to 64.5% of GDP in the third quarter of 2011, comparing favorably with most other countries in the European Union. At the same time, the Netherlands benefits from a comparably low unemployment rate of 5.4% in 2011. We believe that the relative prosperity of the Dutch population and the robust macroeconomic environment, combined with a comparatively low blended cable ARPU in international comparison, favor the further development of the cable industry.

The Netherlands is the second most densely populated country in the European Union, with an average population of 494 per square kilometer in 2011, according to CBS. This high population density reduces the overall cost associated with the deployment, operation and maintenance of cable infrastructure and allows for more efficient marketing. Cable operators that operate in urban areas with high population density benefit from easier access to customers and more cost effective network upgrades and maintenance.

### Cable Market Characteristics in the Netherlands

The Netherlands has very attractive characteristics for cable operators. The first cable networks were widely deployed across the Netherlands as early as the 1970s, and as a result, other means of television delivery such as satellite and terrestrial broadcast have not become as popular as in other European countries. Consequently, cable operators are, aside from the domestic incumbent communications operator KPN, the only significant fixed end-to-end infrastructure-based providers of television and communications services. Cable networks in the Netherlands are estimated by NLKabel to pass approximately 98% of all households, with one of the highest customer penetration rates among European cable markets of approximately 72% in 2011, according to Screen Digest.

There is no material direct competition between the major cable network operators in the Netherlands as there is minimal overlap between their networks. In recent years, the Dutch cable industry has undergone considerable consolidation. As a result, according to Screen Digest, as at the end of 2011, Ziggo and UPC were the leading providers of television services via cable, together accounting for approximately 93% of the cable market.

Cable operators in the Netherlands generate their revenues principally through direct relationships with customers. The Dutch cable market, in contrast to the German cable market, has always been a pay market for basic television services, which we believe provides a strong basis for up-selling innovative digital pay television services. Direct access to end-users allows cable operators like Ziggo to better serve their customers, by identifying and fulfilling the demand for specific products and services on a local basis and enabling the successful roll-out of broadband internet, telephony and digital pay television services directly to end-users.

### Cable Network Dynamics in the Netherlands

Dutch cable operators benefit from the competitive advantage their networks provide across the vast majority of their service areas. Cable networks have been designed for the transmission of large amounts of analog TV and radio signals and are able to deliver consistent speeds irrespective of the distance to the customer, unlike DSL. Our network has been 100% upgraded to bi-directionality, is fully EuroDocsis 3.0 enabled, uses the full spectrum bandwidth capacity of 862 MHz and offers 120 Mbps download speeds to all of our homes passed, with the potential for up to 400 Mbps with current EuroDocsis 3.0 modems. As a result, we can offer substantially faster broadband internet access than DSL operators. KPN began to roll out VDSL2 in 2009, but is reported to have speed advantage over ADSL2+ in only approximately 50% of

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(1) Excluding Liechtenstein, Bermuda, Cayman Islands and Virgin Islands

its area. Copper is a distance-sensitive medium, and accordingly access speeds for DSL technology decrease substantially as distance from DSL hubs increases. Maximum DSL speeds offered on the KPN DSL network are currently limited to a maximum of 60 Mbps by service provider Online based on VDSL2 technology, which is significantly lower than the speeds offered over HFC networks. The maximum download speed of DSL networks has to be shared between all services: television, broadband internet and telephony. Under currently available technology, DSL-based triple-play providers such as KPN therefore cannot provide broadband internet and television services of comparable quality to those provided over cable networks. KPN is now taking steps to upgrade its broadband internet speeds using VDSL2 technology, in combination with FttC and new technologies such as bonding, vectoring and phantoming.

FttH is the only infrastructure that offers similar speeds with the potential for higher internet speeds (upload and download) than are currently possible over our HFC network. For example, in January 2012, KPN began offering 500 Mbps in two small areas in the Netherlands. Reggefiber, KPN's joint venture with Reggeborgh, has begun to roll out FttH networks. As at December 31, 2011, Reggefiber had approximately 951,000 homes passed on FttH networks. Reggefiber has announced its intention to expand its FttH network to 1.1 to 1.3 million homes by 2012, with KPN targeting 250,000 active subscribers. Such expansion requires time-consuming and capital intensive digging. According to a TNO Report on Next Gen Infrastructures, dated February 25, 2010, the estimated capital expenditure involved in switching from DSL to FttH is approximately €1,125-1,425 per home. In addition, several municipalities and provinces in the Netherlands have offered and continue to offer support to network operators that build FttH networks, and some municipalities and provinces have entered into public private partnerships such as Amsterdam Citynet to stimulate investment.

### **Bundling Trends**

In the Netherlands, customers increasingly seek to receive their multimedia and communications services in a bundled offer from one provider. In response, service providers are providing television, broadband internet and fixed-line telephony services in bundled triple-play offerings. This maximizes revenue per customer. Customers that subscribe for triple-play offerings typically have higher loyalty and lower churn rates.

According to OPTA, the number of triple-play subscribers in the market increased from 1.4 million as at December 2007 to 2.5 million as at June 2011. OPTA estimates that Ziggo services approximately 40-45% of Dutch triple-play customers, with the second and third leading providers, UPC and KPN, servicing approximately 25-30% and 20-25% of these customers, respectively, as at June 2011. We expect bundling to play an increasingly important role, further fuelled by customers' increasing demand for high-speed broadband internet services, and believe cable operators are able to benefit significantly from this trend due to the competitive advantage of their networks across the vast majority of their service areas. Several of our competitors, including KPN, Tele2, T-Mobile and Vodafone, also offer bundles that include, in addition to triple-play, mobile telephony and/or mobile internet.

### **Television Market**

#### ***Introduction***

The Dutch television market is highly penetrated, according to SKO, with approximately 98% of Dutch households owning at least one television at the end of 2011. It is predominantly a pay television market in which customers pay for standard TV services, with free-view television users in 2011 amounting to 2% of the entire market, according to Screen Digest. According to Telecompaper, the total number of television connections in the Netherlands was 8.0 million at the end of September 2011. Screen Digest estimated the total television market in the Netherlands to amount to €1.5 billion in 2011, with €1.1 billion related to basic television services and €0.4 billion related to digital pay television services. Screen Digest estimates that the total television market will grow to €2.1 billion by 2015 as a result of growth in digital pay television while the basic television market is expected to grow nominally.

The Dutch television market is continuing to digitalize. The number of digital television connections increased from 4.0 million at the end of 2008 to 6.0 million at the end of September 2011, according to Telecompaper. Telecompaper estimates that the digital television market will grow to approximately 8.3 million connections by 2015, representing a compound annual growth rate of approximately 9.0%, with the majority of growth contributed by cable and IPTV.

The digital pay television market segment in the Netherlands has historically been less developed than in other European markets such as the United Kingdom; one commonly cited reason for this has been the availability of a large variety of television offerings included in the standard TV package. However, three main developments are expected to result in a sustained phase of growth in the Dutch pay television market. First, content providers are increasingly interested in offering their content on pay television platforms as a way to maximize their revenues and diversify away from advertising-driven free-view television platforms. Second, Dutch cable operators have increasingly focused on up-selling pay television packages and enhanced functionalities such as HD, VoD, PVR and interactive television to their customers. Third, television audiences are undergoing a generational shift towards a digital and interactive way of receiving television content. According to Screen Digest, the digital pay television market segment in the Netherlands is expected to grow by a compound annual growth rate of 19% from approximately €419 million in 2011 to approximately €850 million in 2015.

### *Cable*

The Netherlands was one of the first European countries to deploy cable networks and, as a result, other means of television delivery, such as satellite and terrestrial broadcasters, have a weaker position in the Netherlands than they have in other European countries. Cable is the most commonly used distribution network medium for television services in the Netherlands and is characterized by easy-to-use technology, efficient installation of customer equipment and reliability of a protected signal delivered directly to the home.

Cable had a television services market share of approximately 66.5%, as at September 30, 2011, according to Telecompaper. Cable operators have lost market share over the last few years to satellite, DTT and IPTV, but they have been successful in encouraging their subscriber base to switch from analog to digital television services. The digitalization of their subscriber base has been instrumental in up-selling to additional digital pay TV services.

As the digital television market in the Netherlands as measured by subscribers grew by a compound annual growth rate of approximately 15.8% between the end of 2008 and the end of September 2011, cable increased its market share from approximately 50% to 57% at the end of September 2011, according to Telecompaper. Going forward, Telecompaper expects cable to grow its digital television subscriber base at a compound annual growth rate of approximately 10.2% and to expand its market share to approximately 59% by 2015. This implies that cable would be the primary beneficiary of increasing demand for digital pay TV services.

Screen Digest expects the digital pay television cable market to grow at a compound annual growth rate of approximately 21% between 2011 and 2015 from approximately €294 million to €624 million, ahead of the rest of the digital pay television market segment in the Netherlands.

### *Satellite (“DTH”)*

A competitive presence in the Dutch television market is satellite television (“DTH”), which had a 10.5% television services market share as at September 30, 2011, according to Telecompaper. Satellite operators such as CanalDigitaal distribute digital signals via satellite directly to television viewers. To receive programming distributed via satellite, viewers need a satellite dish and a set-top box. Viewers also require a smart card for the subscription based and premium television services distributed via satellite. The CanalDigitaal service is resold by Online (T-Mobile).

We believe that satellite has the following disadvantages compared to cable: (i) the higher up-front cost of procuring and installing a satellite dish, as compared to the “plug-and-play” convenience of cable; (ii) the susceptibility of satellite reception to external interference, such as adverse weather conditions; and (iii) the platform’s struggle to offer non-linear or on-demand TV services, given the lack of integrated return path signaling. As the Dutch media and communications market continues to converge, we believe that satellite will be disadvantaged by its inability to provide bundled services.

Satellite saw its total television market share decline from approximately 13.1% to 10.5% between the end of 2008 and the end of September 30, 2011, according to Telecompaper. Satellite’s digital television market share is expected to decline from 15.8% in 2010 to 9.2% by 2015 as the platform is less well able to take its share of growth in the digital television market due to bundling and interactivity trends in the market.



### ***Dutch Digital Terrestrial Television (“DTT”)***

Our standard TV services compete with providers of DTT, which provides viewers with 28 television channels and 23 radio channels. The terrestrial transmission infrastructure is owned and operated by Digitenne, a subsidiary of KPN. KPN also offers the Digitenne service for resale to other providers, including Online. The consumer prices for Digitenne are lower than the price for our standard TV service. The three national channels and one regional public channel are broadcasted free to air by the public broadcasters. In addition, no in-house wiring is needed.

However, the number of channels available through DTT, is substantially less than the number available through most digital cable and satellite offerings, including Ziggo’s. Furthermore, similar to satellite, DTT does not allow for the provision of enhanced bi-directional functionalities given the lack of a return path. Moreover, the signal reception and quality of DTT is adversely affected by various sources of interference, including certain weather conditions and motorized vehicles.

DTT’s total television market share increased from approximately 9.3% to 11.0% between the end of 2008 and the end of September 2011, according to Telecompaper. Its market share declined in 2011 from 11.3% at the end of 2010 to 11.0% at the end of September 2011. At the same time, DTT’s digital television market share declined from approximately 18.4% in 2008 to 14.6% as at September 30, 2011 due to the faster growth of cable and IPTV. Telecompaper expects DTT’s digital television market share to decline to 8.8% by 2015 as the limitations of the platform prevent it from growing in line with the market.

### ***Internet Protocol Television (“IPTV”) and Over the Top Television (“OTT-TV”)***

As a consequence of improvements in broadband internet technologies, the Internet Protocol is increasingly being used for the distribution of television services. The principal providers of IPTV in the Netherlands are KPN and Tele2, which provide IPTV services through ADSL2+ and VDSL2 broadband internet connections. Demand for IPTV may increase in the future as it becomes more widely available, the price of the receiving equipment decreases and the receiving equipment is built into television sets. KPN had approximately 573,000 IPTV subscribers as of December 31, 2011, according to its fourth quarter 2011 results. However, providing television services over a DSL network decreases the amount of bandwidth available for other service offerings, in particular broadband internet. Furthermore, IPTV subscribers, like DTT and digital satellite subscribers, must have a separate set-top box for each television set that receives its signal through IPTV.

In addition, as noted above, KPN is taking steps to upgrade its broadband internet speeds using VDSL2 technology, in combination with FttC and new technologies such as bonding, vectoring, phantoming, and continues to introduce FttH in certain areas through its joint venture Reggefiber with Reggeborgh. FttH offers the potential for higher internet speeds (upload and download) than are currently possible over our network. Further upgrades in the reliability and speed of broadband internet connections may allow KPN and other IPTV providers to improve the quality of their television service.

Another emerging technology is the delivery of television content “over the top” of an existing broadband internet network (“OTT-TV”), which allows content providers to reach customers through mediums such as the broadcaster’s website or online aggregators of content. However, online content aggregators of popular Dutch programming are limited, thereby limiting OTT-TV’s current appeal in the Netherlands.

IPTV (excluding FttH networks) has grown its market share in television (analog and digital) in the Netherlands to approximately 8.2% by the end of September 2011, according to Telecompaper. While the digital television market segment grows, IPTV is expected to increase its market share in digital television (including FttH networks) from approximately 12% in 2010 to 23% by 2015 at the expense of cable satellite and DTT, becoming the second largest digital television platform after cable.

### **Broadband Internet Market**

The broadband internet market in the Netherlands is characterized by continued growth and increasing demand for high-speed broadband internet services.

According to Telecompaper, broadband internet household penetration in the Netherlands grew from approximately 82.2% at the end of 2009 to 85.1% at the end of September 2011. While the broadband internet market is well established in the Netherlands, Telecompaper forecasts penetration to increase to approximately 92.5% by 2015, representing a compound annual growth rate of approximately 2.7% from 6.2 million connections in 2010 to 7.1 million connections by 2015.



We believe that cable is well positioned to be the primary beneficiary of the broadband internet market trends in the Netherlands. With the upgrade to EuroDocsis 3.0 and the relatively limited presence of FttH networks, cable operators are able to offer highest-speed broadband internet services to their subscribers across the vast majority of their service areas. According to a survey conducted by Telecompaper in 2011, 24% of Dutch consumers believe that they will need a 50Mbps+ internet connection over the next four years. Furthermore, cable operators successfully market their broadband internet services as part of triple-play offerings, which allow subscribers to conveniently receive all telecommunications services from one provider. According to Telecompaper, cable grew its broadband internet market share from approximately 38% at the end of 2008 to 42.6% at the end of September 2011. Telecompaper forecasts that cable in the Netherlands will grow its broadband internet market share to approximately 45% by 2015.

DSL, which since the end of 2004 has been the leading broadband internet platform in the Netherlands, continues to lose market share. As subscribers demand higher-speed broadband internet services, DSL is increasingly constrained by its inability to deliver higher speeds. KPN is the major DSL provider in the Netherlands, followed by Tele2 and Online, which sell DSL services using KPN's unbundled local loop network. KPN and others have improved the speed of their broadband internet access services in parts of their network that have been upgraded to VDSL2 technology. Maximum DSL speeds offered on the KPN DSL network are currently limited to a maximum of 60 Mbps by Online based on VDSL2 technology, which is significantly lower than the speed over the HFC or FttH networks. According to Telecompaper, DSL's market share declined from approximately 60% at the end of 2008 to 51.9% at the end of September 2011 as its broadband internet subscriber base decreased in absolute terms. Based on Telecompaper forecasts, DSL is expected to see its market share decline to approximately 38% by 2015. KPN is now taking steps to upgrade its broadband internet speeds using VDSL2 technology in combination with FttC and new technologies such as bonding, vectoring and phantoming.

We also compete in limited portions of our coverage area against internet access providers that provide services through FttH connections. However, the impact of FttH on the Dutch broadband internet market has been limited so far, with the main reasons being the relatively limited presence of FttH networks. According to Telecompaper, FttH grew its market share from approximately 2% at the end of 2008 to 5.0% at the end of September 2011.

We also compete with service providers that use other alternative technologies for broadband internet access, such as satellite technologies or mobile standards such as worldwide interoperability for microwave access ("WiMax"), universal mobile telecommunications system ("UMTS"), 3GPP Long Term Evolution ("LTE") and high-speed packet access ("HSPA"). These mobile broadband internet access technologies may allow both incumbent and new broadband internet access providers the ability to provide high-speed connection services for voice, data, video and television. Telecompaper estimates that 440,000 consumer households were using UMTS/HSPA for broadband internet access via laptops or PCs as at September 30, 2011, implying that mobile broadband internet has been growing more slowly than expected. We believe that the majority of mobile broadband internet users presently use it to complement, rather than to replace, fixed-line broadband internet.

### **Fixed-Line Telephony Market**

The market for fixed-line telephony services in the Netherlands is mature, and market share changes are driven by the combination of the price and quality of the services provided and by the way telephony services are part of bundled offerings. In recent years, as part of a bundled offer, consumer preference for a fixed-line telephony provider is determined by the quality of the accompanying broadband internet offering and/or total bundle. Cable operators are well positioned to take advantage of these trends. The market is relatively price sensitive and operates at a low price level by European standards.

According to Telecompaper, fixed-telephony household penetration remained stable in 2010 at approximately 81% and is expected to slightly decrease going forward to a penetration of 80% in 2015. Total connections are expected to grow from 6.0 million in 2010 to 6.1 million in 2015. At the same time, VoIP telephony increased its fixed-telephony market share from 66% in 2010 and is forecasted to increase its share to 87% by 2015, representing a compound annual growth rate of approximately 6.4%.

According to Telecompaper, cable operators in the Netherlands, using VoIP technology, successfully grew their share in the total fixed-line telephony market (both PSTN and VoIP) from about 28% at the end of 2009 to approximately 36.4% at the end of September 2011. VoIP growth for cable companies was higher at 15.0% than for others as the total VoIP market segment grew with 10.9% year-on-year. The cable companies together had a share in the VoIP telephony market of 51.5% at the end of September 2011.

compared to DSL's 43.6% share. Ziggo had approximately 1.31 million VoIP subscribers at the end of September 2011, keeping its place as the second largest Dutch VoIP provider with a national share of 31.0% in the VoIP segment despite covering only 56% of the market, according to Company estimates and CBS data. UPC, which ended September 2011 with approximately 0.81 million VoIP subscribers, had a national VoIP share of approximately 19.1%. According to Telecompaper, cable is expected to grow its share in the total fixed-line telephony market to 41% by 2015.

KPN, the incumbent fixed-line PSTN telephony service provider in the Netherlands, has historically been the largest provider of fixed-line telephony in the Dutch market. However, the number of PSTN subscribers has been steadily decreasing in recent years, as customers turn to VoIP telephony offered via broadband internet (DSL, cable or FttH). VoIP, which is less expensive than PSTN telephony services, allows customers to make traditional fixed-line telephone calls using a standard telephone handset and provides comparable quality to PSTN. According to Telecompaper, KPN was the VoIP segment leader in the Netherlands, with approximately 1.36 million subscribers at the end of September 2011.

### **B2B Services**

According to IDC European Telecom Services Database and the company's own estimates, the size of the Dutch B2B market in 2010 was approximately €3.0 billion, split into €1.1 billion for the SoHo and SME Small segments, €0.5 billion for the SME Medium segment and €1.4 billion for the Large, Corporate & Carrier segment. The B2B market in the Netherlands is considered to be quite mature and driven by a combination of price, quality and customer service, with the latter being more important in this market than in the consumer telecommunications market.

KPN, by leveraging its PSTN, DSL and fiber networks, is by far the leading provider of B2B services in the Netherlands, accounting for approximately 70% of the Dutch B2B services market by revenues. Ziggo changed its B2B strategy in May 2010 to refocus on SoHo and SME Small segments, which are primarily single-site customers that Ziggo is best placed to serve. The company estimates these segments to represent a market of approximately €600 million in Ziggo's service area, and approximately half of this market to comprise companies that are connected to Ziggo's HFC network.

Ziggo's business strategy is to grow aggressively in the SoHo and SME Small segments, and to take market share from KPN. Due to our ability to provide VoIP and high-speed broadband internet services over our HFC network, we believe that we are well positioned to provide cost-effective voice and data services to meet the needs of small and medium sized enterprises, most of whom currently receive such services from KPN.

## BUSINESS

*Investors should read “Business” in conjunction with the more detailed information contained in this Prospectus including the financial and other information appearing in “Operating and Financial Review”. This information has been extracted without material amendment from the 2011 Financial Statements and the 2010 Financial Statements.*

### **Business Overview**

We are the largest cable operator in the Netherlands, with an estimated network coverage of 56% of the country by homes passed as at December 31, 2011. We provide standard TV, digital pay TV, high-speed broadband internet and telephony services to consumers and businesses. 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 TV, broadband internet and telephony services from a single provider at a lower price than they would pay through three individual service subscriptions. According to OPTA, the Dutch Independent Post and Telecommunications Authority, we were the number one provider of triple-play offerings in the Netherlands as at June 2011.

As at December 31, 2011, we had 4.2 million homes passed and primary product relationships with 3.0 million standard TV subscribers. 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. Based on Telecompaper statistics, we estimate that our service area market shares by subscriptions as at September 30, 2011 for standard TV, digital TV, broadband internet and telephony were 67.8%, 59.4%, 46.6% and 39.3%, respectively. We believe our leading positions are based on the strength of our network, customer focus and our ability to offer a premium combination of content, speed and functionality at attractive prices compared to our competitors.

Our services are delivered over our hybrid fiber coaxial (“HFC”) cable network, which is one of the most technically advanced in Europe. Since the start of the merger of our three predecessor businesses in 2006 (the “merger”), we have invested more than €1 billion in our network, systems and infrastructure and we will continue to invest to maintain and strengthen our competitive position. Our network is fully bi-directional and EuroDocsis 3.0 enabled. Both its spectrum bandwidth capacity of 862 MHz and average fiber distance of within 300 meters from our subscribers’ homes and offices are better than the European industry average. These features allow us to offer download speeds of up to 120 Mbps to all our homes passed, and our technology has the potential to offer speeds of up to 400 Mbps using current EuroDocsis 3.0 modems. The spectrum bandwidth capacity and speed of our network are substantially higher for TV and broadband internet services than the networks of other operators in our service area such as KPN, Tele2 and Online. Based on plans published by KPN, we estimate that Fiber-to-the-Home (“FttH”), the only network solution currently capable of providing equivalent speeds for broadband internet, will pass approximately 21% of the homes in our service area by 2013 and that not all homes passed will be connected.

Our unique network advantage, market-leading services, customer focus and continued innovation have enabled us to achieve strong growth in the number of our standard TV subscribers who also subscribe for our digital pay TV offerings as well as the percentage of standard TV subscribers who are “triple-play subscribers”, which has increased from 29.4% as at December 31, 2009 to 43.8% as at December 31, 2011. These increases in turn have driven growth in revenue generating units (“RGU”) and our average monthly revenue per user (“ARPU”) in the past three years. As a result, our blended consumer ARPU has increased from €30.42 for the year ended December 31, 2009 to €37.34 for the year ended December 31, 2011. Going forward, we believe we are well positioned to capture further growth through our triple-play and digital pay TV offerings.

The tables below summarize our growth in RGUs, triple-play subscribers, ARPU and blended ARPU during the period under review and provide definitions for these terms in the footnotes.

|  | As at December 31,           |              |              |
|--|------------------------------|--------------|--------------|
|  | 2009                         | 2010         | 2011         |
|  | (thousands, except as noted) |              |              |
| <b>Total RGUs<sup>(1)</sup></b> . . . . .                            | <b>6,414</b>                 | <b>6,727</b> | <b>6,992</b> |
| <i>Year-on-year change (%)</i> . . . . .                             |                              | 4.9%         | 3.9%         |
| <b>RGUs (consumer):</b>  |                              |              |              |
| Standard TV . . . . .  | 3,111                        | 3,024        | 2,920        |
| <i>Year-on-year change (%)</i> . . . . .                             |                              | (2.8%)       | (3.4%)       |
| Digital pay TV <sup>(2)</sup> . . . . .                              | 778                          | 897          | 940          |
| <i>Year-on-year change (%)</i> . . . . .                             |                              | 15.3%        | 4.8%         |
| Broadband internet . . . . .   | 1,445                        | 1,545        | 1,662        |
| <i>Year-on-year change (%)</i> . . . . .                             |                              | 7.0%         | 7.6%         |
| Telephony . . . . .  | 995                          | 1,157        | 1,332        |
| <i>Year-on-year change (%)</i> . . . . .                             |                              | 16.3%        | 15.2%        |
| <b>Total RGUs (consumer)</b> . . . . .                               | <b>6,328</b>                 | <b>6,622</b> | <b>6,854</b> |
| <i>Year-on-year change (%)</i> . . . . .                             |                              | 4.7%         | 3.5%         |
| Of which All-in-1 bundle subscribers <sup>(3)</sup> . . . . .        | 680                          | 1,079        | 1,261        |
| <i>Year-on-year change (%)</i> . . . . .                             |                              | 58.8%        | 16.9%        |
| Of which non-bundle triple-play subscribers <sup>(4)</sup> . . . . . | 235                          | 20           | 17           |
| <i>Year-on-year change (%)</i> . . . . .                             |                              | (91.5%)      | (15.0%)      |
| <b>RGUs per standard TV subscriber (consumer)</b> . . . . .          | <b>2.03</b>                  | <b>2.19</b>  | <b>2.35</b>  |
| <i>Year-on-year change (%)</i> . . . . .                             |                              | 7.7%         | 7.2%         |
| <b>RGUs (business):</b>  |                              |              |              |
| Standard TV . . . . .  | 80                           | 85           | 97           |
| <i>Year-on-year change (%)</i> . . . . .                             |                              | 6.3%         | 14.1%        |
| Broadband internet . . . . .   | 3                            | 11           | 23           |
| <i>Year-on-year change (%)</i> . . . . .                             |                              | 281.4%       | 106.3%       |
| Telephony . . . . .  | 3                            | 9            | 17           |
| <i>Year-on-year change (%)</i> . . . . .                             |                              | 224.8%       | 101.8%       |
| <b>Total RGUs (business)</b> . . . . .                               | <b>86</b>                    | <b>105</b>   | <b>138</b>   |
| <i>Year-on-year change (%)</i> . . . . .                             |                              | 22.1%        | 31.4%        |
| Of which Office Basis <sup>(5)</sup> subscribers . . . . .           | 3                            | 9            | 17           |
| <i>Year-on-year change (%)</i> . . . . .                             |                              | 224.8%       | 101.8%       |
| Of which Internet Plus <sup>(5)</sup> subscribers . . . . .          | 0                            | 3            | 6            |
| <i>Year-on-year change (%)</i> . . . . .                             |                              | 759.5%       | 120.4%       |
| ToM <sup>(5)</sup> & ToM Interactive <sup>(5)</sup> . . . . .        | 73                           | 69           | 69           |
| <i>Year-on-year change (%)</i> . . . . .                             |                              | (5.5%)       | 0.0%         |

(1) 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.

(2) 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.

- (3) The increase in the number of All-in-1 bundle subscribers from December 31, 2009 to December 31, 2010 includes 152,000 non-bundle triple-play subscribers who received standard TV, broadband internet and telephony services on an individual service subscription basis and were converted to the All-in-1 bundle in December 2010.
- (4) Triple-play subscribers comprise (i) All-in-1 bundle subscribers (who subscribe for 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 for standard TV, broadband internet and telephony through individual service subscriptions rather than through our All-in-1 bundle).
- (5) “Office Basis” and “Internet Plus” are our HFC products aimed at the SoHo and SME Small B2B market segment; “ToM” and “ToM Interactive” are our HFC products aimed at the SME Medium B2B market segment. See “Business—Our Business Product Offerings”.

|  | For the year ended December 31, |              |              |
|--|---------------------------------|--------------|--------------|
|  | 2009                            | 2010         | 2011         |
| <b>Blended ARPU (consumer)<sup>(1)</sup> (€)</b> . . . . .             | <b>30.42</b>                    | <b>33.92</b> | <b>37.34</b> |
| Year-on-year change (%) . . . . .                                      |                                 | 11.5%        | 10.1%        |
| <b>Blended All-in-1 bundle<sup>(2)</sup> ARPU (consumer)</b> . . . . . | <b>39.69</b>                    | <b>41.21</b> | <b>41.77</b> |
| Year-on-year change (%) . . . . .                                      |                                 | 3.8%         | 1.4%         |

(1) Blended ARPU is calculated as the sum of total standard TV, digital pay TV, broadband internet and telephony consumer revenues (including digital pay TV and telephony usage revenues) for the period divided by the period’s average monthly total standard TV consumer RGUs and divided by the number of months in that period. Based on the growth of our business revenues, we have decided to report consumer ARPU and business ARPU separately from January 2012 onwards. We do not report blended business ARPU as revenues between the different products and different types of business customers vary significantly.

(2) Blended All-in-1 bundle ARPU does not include digital pay TV and telephony usage revenues.

Our RGU and ARPU growth has generated strong growth in revenues and profitability in recent periods. For the year ended December 31, 2011, our total revenues were €1,478.2 million, a 7.4% increase over the year ended December 31, 2010. For the year ended December 31, 2010, our total revenues were €1,375.7 million, a 7.1% increase over the year ended December 31, 2009, and our Adjusted EBITDA was €783.3 million, a 12.6% increase over the year ended December 31, 2009. The table below summarizes our growth in revenues, EBITDA, Adjusted EBITDA and OpFCF during the period under review and provides definitions for the latter three terms.

|   | For the year ended December 31,                                |                |                |
|---|--|----------------|----------------|
|   | 2009<br>(adjusted) <sup>(*)</sup>                              | 2010           | 2011           |
|   | (€ in millions, except as noted)<br>(Audited, except as noted) |                |                |
| <b>Revenues</b> . . . . .   | <b>1,284.4</b>   | <b>1,375.7</b> | <b>1,478.2</b> |
| Year-on-year change (%) . . . . .   | 3.5%   | 7.1%           | 7.4%           |
| <b>EBITDA<sup>(1)</sup> (unaudited)</b> . . . . .   | 648.2  | 775.1          | 834.6          |
| Integration costs <sup>(2)</sup> . . . . .  | 47.1   | 8.2            | —              |
| <b>Adjusted EBITDA<sup>(3)</sup> (unaudited)</b> . . . . .  | <b>695.4</b>   | <b>783.3</b>   | <b>834.6</b>   |
| Percentage of revenues . . . . .  | 54.1%  | 56.9%          | 56.5%          |
| Year-on-year change . . . . .   | 2.8%   | 12.6%          | 6.5%           |
| <b>Capital expenditures (excluding integration and acquisition capital expenditure)<sup>(4)</sup></b> . . . . . | <b>209.5</b>   | <b>175.2</b>   | <b>242.9</b>   |
| Percentage of revenues . . . . .  | 16.3%  | 12.7%          | 16.4%          |
| Year-on-year change . . . . .   | 1.8%   | (16.4%)        | 38.7%          |
| <b>OpFCF<sup>(5)</sup> (unaudited)</b> . . . . .  | <b>485.9</b>   | <b>608.1</b>   | <b>591.7</b>   |
| Percentage of revenues . . . . .  | 37.8%  | 44.2%          | 40.0%          |
| Year-on-year change . . . . .   | 3.2%   | 25.1%          | (2.7%)         |

(\*) See “Important Information—Presentation of Financial Information—2009 Financial Information” and note 24 to 2010 Financial Statements. This reflects adjustments made in connection with the continuation of an employee benefits plan, resulting in a €0.4 million decrease in our EBITDA and a €0.7 million decrease in our net result for 2009, as well as a €4.7 million decrease in our equity as at December 31, 2009.

(1) EBITDA represents operating income plus depreciation and amortization and is a non-IFRS measure. The EBITDA measure presented in the table above may not be comparable to similarly titled measures used by other companies. For a reconciliation of our operating income to EBITDA, see “Important Information—Non-IFRS Financial Measures”.



- (2) Integration costs (which are included within total operating expenses for the years 2009 and 2010) relate to expenses incurred in connection with the integration of our three predecessor businesses, including, among other things, consultancy fees related to integration, restructuring and redundancy costs, costs related to the establishment of our single brand name “Ziggo” (which was launched in May 2008) and costs related to the consolidation of office functions at our new central office in Utrecht, which was opened in 2009.
- (3) We define Adjusted EBITDA as EBITDA as adjusted to remove the effects of integration operating expenses. Adjusted EBITDA is a non-IFRS measure. The Adjusted EBITDA measure presented in the table above may not be comparable to similarly titled measures used by other companies. See “Important Information—Non-IFRS Financial Measures”.
- (4) Capital expenditure represents payments to acquire property, plant and equipment but excludes capital expenditure incurred in connection with the integration of our predecessor businesses (which amounted to €42.3 million, €27.5 million and nil for the years ended December 31, 2009, 2010 and 2011, respectively) and acquisitions (which amounted to nil, nil and €7.4 million for the years ended December 31, 2009, 2010 and 2011, respectively).
- (5) We define operating free cash flow (“OpFCF”) as Adjusted EBITDA less capital expenditures excluding integration capital expenditure and acquisition capital expenditure. The OpFCF measure presented in the table above may not be comparable to similarly titled measures used by other companies. For a reconciliation of our operating income to OpFCF, see “Important Information—Non-IFRS Financial Measures”.

The table below sets out our revenue growth, Adjusted EBITDA as a percentage of revenues, OpFCF as a percentage of revenues and OpFCF as a percentage of Adjusted EBITDA, as compared with other cable operators in Europe based on the most recently available public information.

|  | For the year ended December 31, 2011                       |  |   |              |
|--|--|--|---|--------------|
| Revenue Growth                                       | Adjusted EBITDA <sup>(1)</sup> as a percentage of revenues | OpFCF <sup>(1)</sup> as a percentage of revenues | OpFCF <sup>(1)</sup> as a percentage of Adjusted EBITDA |              |
|  | (unaudited)  |  |   |              |
| <b>Europe</b>  |  |  |   |              |
| UPC Cablecom (Switzerland) <sup>(2)</sup> . . . . .  | 1.9%   | 56.3%  | 39.9%   | 70.9%        |
| Kabel Deutschland (Germany) <sup>(3)</sup> . . . . . | 6.5%   | 45.6%  | 24.0%   | 52.7%        |
| Telenet (Belgium) <sup>(4)</sup> . . . . .           | 6.0%   | 52.6%  | 30.0%   | 57.2%        |
| UPC Netherlands (Netherlands) . . . . .              | 5.0%   | 59.3%  | 44.2%   | 74.5%        |
| Virgin Media (United Kingdom) . . . . .              | 3.0%   | 39.8%  | 20.7%   | 52.0%        |
| <b>Ziggo</b> . . . . .                               | <b>7.4%</b>  | <b>56.5%</b>                                     | <b>40.0%</b>  | <b>70.9%</b> |

Source: Public filings and reports of Ziggo and other companies listed in table.

- (1) We define Adjusted EBITDA as EBITDA as adjusted to remove the effects of integration operating expenses. We define OpFCF as Adjusted EBITDA less capital expenditure excluding integration capital expenditure made in connection with the integration of our predecessor businesses and in connection with acquisitions. Both Adjusted EBITDA and OpFCF are non-IFRS measures. These measures and the margins based on them may not be comparable to similarly titled margins used by other companies, including those listed in the table above. Differences in how these measures are calculated may adversely affect the comparability of these measures. See “Important Information—Non-IFRS Financial Measures”.
- (2) Revenue growth based on figures reported by UPC Cablecom in Swiss Francs to exclude impact of foreign exchange movements.
- (3) Figures reported by Kabel Deutschland (Germany) for the year ended March 31, 2011.
- (4) Capital expenditure for Telenet excludes €71.5 million related to the acquisition of a 3G mobile spectrum license and €88.8 million related to the acquisition of Belgian football broadcasting rights.

## Our Strengths

**Operations in one of Europe’s most attractive markets for cable operators.** The Netherlands has very attractive characteristics for cable operators, including the relative prosperity of its population, its high population density and its high cable penetration. Cable networks in the Netherlands pass approximately 98% of all households, which is among the highest rates in Europe, while customer penetration of cable networks at approximately 72% in 2011 compares favorably with most other European markets, according to Screen Digest. We believe that higher disposable income translates into higher potential spending on media and communications services, while high population density, cable network ubiquity and high customer penetration allow for highly efficient cable operations yielding comparatively higher profitability and cash flow margins.

**The most advanced network in our service area and one of the strongest networks in Europe.** Our HFC network is fully bi-directional, EuroDocsis 3.0 enabled, has a spectrum bandwidth capacity of 862 MHz and has an average fiber distance of within 300 meters from our subscribers’ homes and offices. This combination of

characteristics positions our HFC network uniquely within the European cable market and as the strongest infrastructure in our service area. Our HFC network enables us to provide higher quality TV and broadband internet services than those offered by DSL, DTH and DTT operators in our service area such as KPN, Tele2 and Online. For example, we can currently provide speeds of up to 120 Mbps to all our homes passed using our EuroDocsis 3.0 high-speed modems. These modems have the potential to support speeds of up to 400 Mbps. We currently have a network advantage across approximately 87% of our service area and expect to maintain this advantage across approximately 79% of this area through 2013, based on KPN's published plans to roll-out FttH, the only network solution currently capable of providing equivalent speeds for broadband internet.

***Competitive advantage in triple-play, digital TV and broadband internet.*** As a result of our network strength, highly competitive service offerings and customer focus, we have developed leading positions in triple-play, digital pay TV and broadband internet services within our service area. We are focused on providing our customers with highly competitive services that offer more content, higher speeds, greater functionality and better quality of service than our competitors. In digital TV, we offer an extensive range of HD channels, full video-on-demand, "Catch-up TV" services and a comprehensive TV library. In broadband internet, we provide the highest speeds in our service area, at the most competitive price per download speed level, which has allowed us to achieve a market share in our service area of 46.6% by number of subscriptions as at September 30, 2011. Our fixed telephony offering includes free on-net calls for all subscribers and attractive pricing plans, which, together with our broadband internet and TV offerings, create an attractive "All-in-1" triple-play proposition.

***Significant growth opportunities in the Dutch market.*** We believe the strengths above, combined with our direct relationships with subscribers, uniquely position us to capture growth opportunities within the Dutch telecommunications market, including:

- ***Triple-Play:*** We estimate that our penetration for triple-play offerings, measured as a percentage of our total standard TV subscriptions, has the potential to grow over time from 43.8% as at December 31, 2011. In a report for OPTA in March 2011, AT Kearney and Telecompaper indicate that they expect the trend of bundling to continue. Other cable operators have achieved higher levels such as Virgin Media, with 64% at the end of December 2011. Consequently, in line with historical performance, we expect strong growth in our All-in-1 bundle triple-play subscriber base.
- ***High-speed Broadband Internet:*** According to Telecompaper, demand for high-speed broadband internet in the Netherlands is expected to double, from 10% of existing broadband internet subscriptions in 2010 to 20% in 2014. We believe that we are well positioned to benefit from this growth, given that we offer broadband internet speeds of 120 Mbps throughout our service area. We estimate that in approximately 87% of our service area, we are currently the only operator capable of providing broadband speeds over 60 Mbps.
- ***Digital Pay TV:*** According to Screen Digest, the digital pay television market segment in the Netherlands is expected to grow from €0.4 billion in 2011 to approximately €0.8 billion by 2015. We expect to benefit from this growth by leveraging our attractive digital pay TV offering and through innovative digital pay TV services, and, among others, network-based services such as a personal video recorder ("PVR").

***Combination of high EBITDA and cash flow margins and growth in recent years.*** We have benefited from highly attractive EBITDA and cash flow margins growth in recent years, which has been supported by efficient capital expenditure. For the year ended December 31, 2011, we generated Adjusted EBITDA as a percentage of revenues of 56.5% and OpFCF as a percentage of revenues of 40.0%. Our cash flow conversion (OpFCF as a percentage of Adjusted EBITDA) for 2011 was 70.9%, significantly exceeding both Kabel Deutschland and Telenet, at 52.7% and 57.2%, respectively, for the same year. At the same time, Adjusted EBITDA has grown from €570 million for the year ended December 31, 2007<sup>(1)</sup> to €835 million for the year ended December 31, 2011, representing a compound annual growth rate ("CAGR") of 10.0% and driven, we believe, by the strengths of our market, market position, network and operations, and by operational benefits realized through the merger.

***Experienced and proven management team.*** With more than 80 years of combined experience in the telecommunications, media and technology ("TMT") sectors, our management team has a proven track

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(1) Adjusted EBITDA for 2007 is unaudited and is derived from the 2007 financial statements of ABC B.V., which owned substantially all of the assets of the Group in 2007 and which will be a subsidiary of the Company following the Restructuring (see structure chart on page 176).

record of developing and implementing our growth strategy. Prior to joining Ziggo, members of our management team had senior management positions at a broad range of telecommunications and media businesses, including two of our predecessor businesses, Essent Kabelcom and Multikabel, as well as Libertel, PrimaCom, UPC / A2000 and KPN. Bernard Dijkhuizen, our Chief Executive Officer, joined us in the creation of Ziggo, having previously served as general manager of Essent Kabelcom B.V., and has more than 12 years of TMT experience. Our Chief Financial Officer, Bert Groenewegen, joined us in March 2010 and has more than 21 years of TMT experience. Marcel Nijhoff, our Chief Commercial Officer, joined us in 2006, having previously served as Chief Executive Officer of Multikabel N.V. for two years, and has more than 27 years of TMT experience, including 16 years in cable. Paul Hendriks, our Chief Technology Officer, joined us in 2008 and has more than 20 years of TMT experience.

## **Our Strategy**

***Leverage our superior network and product offering to further increase market share, triple-play bundle penetration and ARPU.*** We intend to continue to exploit our network and product offering advantages to further increase our product market shares. Our strategy is to continue to offer higher-value services at attractive prices with better content choice, speed, functionality and service quality than those of our competitors. We will also exploit cross-selling opportunities to increase penetration of our All-in-1 bundle and digital pay TV services in order to maximize ARPU.

***Continue to innovate and to exploit new growth opportunities.*** We will promote innovation to take advantage of growth opportunities in order to further strengthen our leading position in the Dutch telecom and media market. We see these growth opportunities as an extension of our consumer product offerings and intend to pursue them in an incremental manner by leveraging our existing infrastructure. We will continue expanding our comprehensive, high-quality offering of standard digital and HD channels, and interactive TV (“iTV”) services, such as video-on-demand and “Catch-up TV”. In order to further grow iTV usage, we aim to create additional interactive solutions. We intend to use a multi-screen approach to provide “TV Everywhere” services for multiple devices, such as computers, tablets and smart phones. We aim to add mobility to our current service offering, but do not intend to become a traditional mobile operator. We are in the process of developing a converged mobile proposition that makes use of our own WiFi coverage in and around homes, offices and public hotspots, complemented by the use of a third party radio access network at other locations in the Netherlands. See “Business—Mobile” for more information.

***Further drive our B2B growth in the SME Small and SoHo segments.*** We have repositioned our business-to-business (“B2B”) operations to focus on the small and medium size enterprises (“SME”) market, in particular small-office/home-office (“SoHo”) (1-5 employees) and SME Small (6-50 employees) businesses already connected to our network. Because our HFC network is fully EuroDocsis 3.0 enabled, we can deliver high-speed broadband internet services, together with fixed telephony, cost effectively, without significant capital investment and at prices that are competitive. Since we launched our new B2B campaign in May 2010, we have more than quadrupled our SoHo and SME Small business subscribers from 5,050 as at May 31, 2010 to 23,500 as at December 31, 2011.

***Increase customer satisfaction by improving all aspects of the customer experience.*** We have invested heavily in our customer relations function in order to improve satisfaction and retention at all customer contact points, including customer service centers, Ziggo engineers and our online portal. We continue to respond to feedback from our monthly customer surveys which will enable us to improve customer satisfaction levels and continue reducing our already low churn rates, which decreased from 9.8% to 9.1% in customer churn and from 4.8% to 4.1% in All-in-1 customer churn from 2009 to 2011.

***Generate substantial shareholder value by focusing on growth, dividends and deleveraging.*** We intend to leverage our leading network advantage and unique portfolio of rich TV, broadband internet, telephony and bundle services for both consumer customers and small business customers to capture the strong growth potential in the market. Our scalable cost base and network efficiency allow for leading operating free cash flow generation to drive an attractive combination of deleveraging and capital returns.

## **Our Consumer Product Offerings**

### ***All-in-1 Triple-Play Bundle***

In May 2008, we announced our new brand “Ziggo” as a single unified name for the cable and telecommunications services previously marketed under the brands of the @Home Business, the Multikabel Business and the Casema Business. In connection with the launch of our new name, we also

fully standardized our product offering across our business and introduced the Ziggo All-in-1 bundle. Since then, we have become the number one provider of triple-play in the Netherlands, according to OPTA.

The All-in-1 bundle is available in “Basic”, “Plus” and “Extra” configurations, in order of increasing sophistication and price, and offers our subscribers analog and digital TV services, broadband internet and telephony services together from a single provider at an attractive value proposition. As part of our All-in-1 bundle, we have internet speeds available that are higher than those offered in our standalone internet services. Our bundle offers include free on-net calling/free telephone calls between Ziggo subscribers, which we believe provide a strong incentive for subscribers who subscribe for one or more of our services on an individual service subscription basis to upgrade to the All-in-1 bundle.

We believe these incentives have been instrumental to increasing our All-in-1 bundle subscribers in recent years, from 0.3 million as at December 31, 2008 to 1.3 million as at December 31, 2011. We derive substantial benefits from offering bundles to our subscribers, as bundles generate higher monthly ARPU and reduce churn. We have also increased the proportion of All-in-1 bundle subscribers subscribing for the higher value “Plus” and “Extra” packages relative to “Basic” packages, which we believe will support further growth. These increases are set out in the table below.

|  | As at December 31, |              |              |
|--|--------------------|--------------|--------------|
|  | 2009               | 2010         | 2011         |
|  | (thousands, %)     |              |              |
| <b>Total All-in-1 bundle subscribers</b> . . . . . | <b>680</b>         | <b>1,079</b> | <b>1,261</b> |
| “Basic” All-in-1 plan (% of total) . . . . .       | 33%                | 26%          | 29%          |
| “Plus” All-in-1 plan (% of total) . . . . .        | 57%                | 65%          | 62%          |
| “Extra” All-in-1 plan (% of total) . . . . .       | 10%                | 9%           | 9%           |

As at December 31, 2011, we provided our All-in-1 services to approximately 1.26 million subscribers, or 30% of homes passed by our network (including third-party owned networks). Our All-in-1 bundle generated an ARPU of €41.77 in the year ended December 31, 2011, up from €41.21 for year ended December 31, 2010.

#### **Standard TV**

All of our standard TV subscribers have access to 25 analog TV channels and 36 radio channels. Our standard TV subscribers who have installed digital receivers and activated a smart card automatically have access to the same TV channels simulcast in digital, as well as 35 additional digital TV and 24 additional radio channels. 12 channels are also available in high definition (“HD”) format, for which a HD receiver is required. Until recently, all of our subscribers had access to 30 analog TV channels, but we have reduced the number of analog channels to free up capacity to offer more HD channels.

Our standard TV service (“TV Standaard”) also includes “Films on Demand” and “Series on Demand” and “Catch-up TV”, for subscribers that have installed an interactive receiver. Films on Demand and Series on Demand provide subscribers access to a library of movies, sitcoms, documentaries, cartoons and other programming. TV Standaard subscribers can view a selection of 10 movies and 3 series per month, free of charge. “Catch-up TV” provides subscribers the ability to view a large selection of television programs from a group of popular channels at any time within ten days after the programs originally aired. For a wider range of content, subscribers need to be subscribed to additional pay TV packages (see “—Digital Pay TV” below).

As at December 31, 2011, we provided our standard TV services to approximately 2.9 million subscribers, or 72% of homes passed by our network (excluding third-party owned networks). Of these subscribers, 2.2 million, or 73.7%, had activated smart cards, compared with approximately 1.8 million as at December 31, 2010, consistent with our goal of increasing our digital subscriber base. We generally provide our standard TV services under individual contracts with our subscribers. Our standard TV services generated an ARPU of €13.49 per month in the year ended December 31, 2011, compared with €13.32 per month for the year ended December 31, 2010.

### *Standard TV Fees*

The price for our standard TV service “TV Standaard” as at December 31, 2011 was €16.95 (including VAT) per month. In connection with the acquisition of portions of our network, we have in the past agreed with certain municipalities to offer our standard TV service in those regions for a lower price. We have negotiated, and expect to continue to negotiate, directly with the municipalities to remove these restrictions. We also enter into multi-year agreements with the operators of certain multi-dwelling units such as hospitals, hotels and dormitories where we may offer discounts to our standard fees.

### *Standard TV Programming Content*

We license our standard TV programming from third party-content providers. We generally secure the broadcasting rights with broadcasters on a per-subscriber basis. Similarly, with the collective rights associations in the Netherlands, such as Buma/Stemra, we generally license the rights on a per-subscriber basis. For information on pricing, see “—Digital Pay TV—Our Programming Content” below.

### *Digital Pay TV*

We offer subscribers who are equipped with digital receivers and who activated a smart card the option to purchase digital pay TV services, which include both subscription programming, as well as video-on-demand content from third-party providers, including Sony and Warner Brothers. A key element of our strategy is to encourage our standard TV subscribers to use our digital TV services, which permit subscribers to use our digital pay TV subscription and video-on-demand service, by providing all of our digital content free of charge for a “Free View” trial period when they first install a digital receiver. We have been granted relief from many of the content providers for fees during this trial period.

Complementing our strategy is the increase in All-in-1 bundle subscribers (see “—All-in-1 Triple-Play Bundle” above), 43% of whom had purchased digital pay TV content as at December 31, 2011, compared with only 21% of non-bundle subscribers.

As at December 31, 2011, approximately 940,000 subscribers of our 2.2 million digital standard TV subscribers, or 43.7%, had purchased digital pay TV services from us, compared with approximately 897,000 as at December 31, 2010. Our digital pay TV services generated an ARPU of €13.71 per month in the year ended December 31, 2011, compared with €12.55 for the year ended December 30, 2010. 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.

### *TV Plus and TV Extra*

Since September 1, 2011, we have offered a three-tier TV proposition, in which two new tiers (“TV Plus”, “TV Extra”) have been added next to our standard TV package (“TV Standaard”). Compared to TV Standaard, TV Plus and TV Extra have a higher number of standard digital and HD channels and a greater range of Films on Demand and Series on Demand content.

The TV-theek content available as part of the TV Plus package is greater than that which is available as part of the TV Standaard package, and the TV-theek content available as part of the TV Extra package is greater than that which is available as part of the TV Plus package.

|                        | <u>Standard digital channels<sup>(1)</sup></u> | <u>HD channels<sup>(1)</sup></u> | <u>Analog channels<sup>(1)</sup></u> | <u>Catch-up TV</u> | <u>Films on Demand<sup>(1)</sup></u> | <u>Series on Demand<sup>(1)</sup></u> | <u>Monthly subscription fee</u><br>(€, including VAT) |
|------------------------|--|----------------------------------|--------------------------------------|--------------------|--------------------------------------|---------------------------------------|---|
| TV Standaard . . . . . | 60   | 12                               | 25                                   | Yes                | 10                                   | 3                                     | 16.95   |
| TV Plus . . . . .      | 90   | 15                               | 25                                   | Yes                | 30                                   | 6                                     | +8.00   |
| TV Extra . . . . .     | 120  | 19                               | 25                                   | Yes                | 100                                  | 15                                    | +13.00  |

(1) The number of channels, films and series may differ slightly from the numbers above from time to time and per region.

Before TV Plus and TV Extra were introduced, we offered additional packages of respectively additional digital channels in theme packages, HD channels, Catch-up TV and the “TV-Theek” service, which



included the content that is now in Films on Demand and Series on Demand. The content of these packages has now been distributed over TV Standaard, TV Plus and TV Extra.

| Channel                                    | Available in package |         |          | Available in format |    |        | Catch-up TV available |
|--|----------------------|---------|----------|---------------------|----|--------|-----------------------|
|  | TV Standaard         | TV Plus | TV Extra | Standard Digital    | HD | Analog |                       |
| <b>Dutch Top 10</b>                        |                      |         |          |                     |    |        |                       |
| Nederland 1 . . . . .                      | X                    | X       | X        | X                   | X  | X      | X                     |
| Nederland 2 . . . . .                      | X                    | X       | X        | X                   | X  | X      | X                     |
| Nederland 3 . . . . .                      | X                    | X       | X        | X                   | X  | X      | X                     |
| RTL 4 . . . . .                            | X                    | X       | X        | X                   | X  | X      | X                     |
| RTL 5 . . . . .                            | X                    | X       | X        | X                   | X  | X      | X                     |
| SBS 6 . . . . .                            | X                    | X       | X        | X                   | X  | X      | X                     |
| RTL 7 . . . . .                            | X                    | X       | X        | X                   | X  | X      | X                     |
| Veronica/Disney XD . . . . .               | X                    | X       | X        | X                   | X  | X      | X                     |
| Net 5 . . . . .                            | X                    | X       | X        | X                   | X  | X      | X                     |
| RTL 8 . . . . .                            | X                    | X       | X        | X                   | X  | X      | X                     |
| <b>International</b>                       |                      |         |          |                     |    |        |                       |
| één . . . . .                              | X                    | X       | X        | X                   |    |        | X                     |
| Ketnet/Canvas . . . . .                    | X                    | X       | X        | X                   |    |        | X                     |
| BBC 1 . . . . .                            | X                    | X       | X        | X                   |    |        | X                     |
| BBC 2 . . . . .                            | X                    | X       | X        | X                   |    |        | (1)                   |
| BBC 3 . . . . .                            |                      | X       | X        | X                   |    |        |                       |
| BBC 4 . . . . .                            |                      | X       | X        | X                   |    |        |                       |
| BBC HD . . . . .                           |                      | X       | X        |                     |    | X      |                       |
| BBC Entertainment . . . . .                |                      | X       | X        | X                   |    |        |                       |
| ARD . . . . .                              | X                    | X       | X        | X                   |    |        | (1)                   |
| ZDF . . . . .                              | X                    | X       | X        | X                   |    |        | (1)                   |
| NDR . . . . .                              | X                    | X       | X        | X                   |    |        | (1)                   |
| WDR . . . . .                              | X                    | X       | X        | X                   |    |        |                       |
| RTL Television . . . . .                   | X                    | X       | X        | X                   |    |        |                       |
| Sat. 1 . . . . .                           | X                    | X       | X        | X                   |    |        |                       |
| Arte . . . . .                             | X                    | X       | X        | X                   |    |        |                       |
| TV5 Monde . . . . .                        | X                    | X       | X        | X                   |    |        |                       |
| France 2 . . . . .                         | X                    | X       | X        | X                   |    |        |                       |
| Rai Uno . . . . .                          | X                    | X       | X        | X                   |    |        |                       |
| TVE . . . . .                              | X                    | X       | X        | X                   |    |        |                       |
| TRT Türk . . . . .                         | X                    | X       | X        | X                   |    |        |                       |
| <b>Regional/Local<sup>(3)</sup></b>        |                      |         |          |                     |    |        |                       |
| Regional channels <sup>(2)</sup> . . . . . | X                    | X       | X        | X                   |    |        | (3)                   |
| Local channels . . . . .                   | X                    | X       | X        | X                   |    |        | (3)                   |
| <b>News</b>                                |                      |         |          |                     |    |        |                       |
| Journaal 24 . . . . .                      | X                    | X       | X        | X                   |    |        |                       |
| Politiek 24 . . . . .                      | X                    | X       | X        | X                   |    |        |                       |
| CNN International . . . . .                | X                    | X       | X        | X                   |    |        | (1)                   |
| BBC World News . . . . .                   | X                    | X       | X        | X                   |    |        |                       |
| Euronews . . . . .                         | X                    | X       | X        | X                   |    |        | (1)                   |
| Aljazeera English . . . . .                | X                    | X       | X        | X                   |    |        |                       |
| CNBC . . . . .                             |                      | X       | X        | X                   |    |        |                       |
| Weer en Verkeer . . . . .                  |                      | X       | X        | X                   |    |        |                       |

| Channel                       | Available in package |         |          | Available in format |    |        | Catch-up TV available |
|-------------------------------|----------------------|---------|----------|---------------------|----|--------|-----------------------|
|                               | TV Standaard         | TV Plus | TV Extra | Standard Digital    | HD | Analog |                       |
| <b>Film and Entertainment</b> |                      |         |          |                     |    |        |                       |
| Comedy Central/Kindernet      | X                    | X       | X        | X                   |    | X      |                       |
| 13TH STREET                   | X                    | X       | X        | X                   |    |        | X                     |
| NostalgieNet                  | X                    | X       | X        | X                   |    |        | X                     |
| MGM Movie Channel             |                      | X       | X        | X                   |    |        | X                     |
| TCM (Turner Classic Movies)   |                      | X       | X        | X                   |    |        |                       |
| Crime & Investigation         |                      | X       | X        | X                   |    |        |                       |
| Zone Reality                  |                      | X       | X        | X                   |    |        |                       |
| Humor TV 24                   |                      | X       | X        | X                   |    |        |                       |
| 101 TV                        |                      | X       | X        | X                   |    |        |                       |
| OUTTV                         |                      | X       | X        | X                   |    |        |                       |
| Best 24                       |                      | X       | X        | X                   |    |        |                       |
| PassieTV/Dusk!                |                      | X       | X        | X                   |    |        |                       |
| RTL Crime                     |                      |         | X        | X                   |    |        | X                     |
| Syfy Universal                |                      |         | X        | X                   |    |        | X                     |
| Investigation Discovery       |                      |         | X        | X                   |    |        |                       |
| Comedy Central Family         |                      |         | X        | X                   |    |        | X                     |
| Comedy Central Extra          |                      |         | X        | X                   |    |        | X                     |
| RTL Lounge                    |                      |         | X        | X                   |    |        | X                     |
| FOXlife                       |                      |         | X        | X                   | X  |        | X                     |
| E! Entertainment              |                      |         | X        | X                   |    |        | X                     |
| <b>Knowledge and Culture</b>  |                      |         |          |                     |    |        |                       |
| Discovery Channel             | X                    | X       | X        | X                   |    | X      |                       |
| National Geographic Channel   | X                    | X       | X        | X                   |    | X      |                       |
| Animal Planet/TLC             | X                    | X       | X        | X                   |    | X      |                       |
| BravaNL                       | X                    | X       | X        | X                   |    |        |                       |
| Family 7                      | X                    | X       | X        | X                   |    |        |                       |
| GoedTV                        | X                    | X       | X        | X                   |    |        |                       |
| 24 Kitchen                    | X                    | X       | X        | X                   |    |        |                       |
| Discovery HD Showcase         |                      | X       | X        |                     | X  |        |                       |
| Animal Planet HD              |                      | X       | X        |                     | X  |        |                       |
| Travel Channel                |                      | X       | X        | X                   |    |        | X                     |
| Geschiedenis 24               |                      | X       | X        | X                   |    |        |                       |
| Holland Doc 24                |                      | X       | X        | X                   |    |        |                       |
| Consumenten 24                |                      | X       | X        | X                   |    |        |                       |
| Cultura 24                    |                      | X       | X        | X                   |    |        |                       |
| Spirit 24                     |                      | X       | X        | X                   |    |        |                       |
| Discovery Science             |                      |         | X        | X                   |    |        |                       |
| Discovery World               |                      |         | X        | X                   |    |        |                       |
| Nat Geo Wild                  |                      |         | X        | X                   |    |        |                       |
| Nat Geo Wild HD               |                      |         | X        |                     | X  |        |                       |
| HISTORY                       |                      |         | X        | X                   |    |        | X                     |
| HISTORY HD                    |                      |         | X        |                     | X  |        |                       |
| Mezzo                         |                      |         | X        | X                   |    |        |                       |
| <b>Kids</b>                   |                      |         |          |                     |    |        |                       |
| Nickelodeon                   | X                    | X       | X        | X                   |    | X      | X                     |
| Disney Channel                | X                    | X       | X        | X                   |    |        | X                     |
| Disney XD                     | X                    | X       | X        | X                   |    |        | X                     |
| Cartoon Network               |                      | X       | X        | X                   |    |        |                       |
| JimJam                        |                      | X       | X        | X                   |    |        | X                     |
| Boomerang                     |                      | X       | X        | X                   |    |        |                       |
| Baby TV                       |                      | X       | X        | X                   |    |        |                       |
| Z@ppelin/Z@PP 24              |                      | X       | X        | X                   |    |        |                       |
| Disney Junior                 |                      |         | X        | X                   |    |        | X                     |
| Nick Jr.                      |                      | X       | X        | X                   |    |        |                       |
| Nick Toons                    |                      |         | X        | X                   |    |        |                       |
| Nick Hits                     |                      |         | X        | X                   |    |        |                       |
| Pebble TV                     |                      |         | X        | X                   |    |        |                       |

| Channel                           | Available in package |         |          | Available in format |    |        | Catch-up TV available |
|-----------------------------------|----------------------|---------|----------|---------------------|----|--------|-----------------------|
|                                   | TV Standaard         | TV Plus | TV Extra | Standard Digital    | HD | Analog |                       |
| <b>Music</b>                      |                      |         |          |                     |    |        |                       |
| MTV                               | x                    | x       | x        | x                   |    |        | x                     |
| SLAM!TV                           |                      |         | x        | x                   |    |        |                       |
| Lite TV                           |                      |         | x        | x                   |    |        |                       |
| VH-1                              |                      |         | x        | x                   |    |        |                       |
| VH-1 Classic                      |                      |         | x        | x                   |    |        |                       |
| 192TV                             |                      |         | x        | x                   |    |        |                       |
| TV Oranje                         |                      |         | x        | x                   |    |        |                       |
| Sterren 24                        |                      |         | x        | x                   |    |        |                       |
| MTV Live HD                       |                      |         |          |                     |    | x      |                       |
| MTV Brand New                     |                      |         |          | x                   |    |        |                       |
| MTV Music 24                      |                      |         |          | x                   |    |        |                       |
| TV538                             |                      |         |          | x                   |    |        |                       |
| <b>Sports</b>                     |                      |         |          |                     |    |        |                       |
| Eurosport                         | x                    |         | x        | x                   |    |        | x                     |
| Eurosport 2                       |                      |         | x        | x                   |    |        |                       |
| ESPN AMERICA                      |                      |         |          | x                   |    |        |                       |
| Motors TV                         |                      |         |          | x                   |    |        |                       |
| <b>Promotional</b>                |                      |         |          |                     |    |        |                       |
| Ziggo TV                          | x                    | x       | x        | x                   |    |        |                       |
| Ziggo Event TV                    | x                    | x       | x        | x                   |    |        |                       |
| Etalagekanaal                     | x                    | x       | x        | x                   |    |        |                       |
| Zenderoverzicht                   | x                    | x       | x        | x                   |    |        |                       |
| Still image of the Erotic Package | x                    | x       | x        | x                   |    |        |                       |

(1) Channel included in certain regions.

(2) Subscribers receive the regional channels of their own region and surrounding regions.

(3) Only regional and local channels for specific regions and cities are available in analog format.

### Digital Pay TV Packages

Our digital pay TV packages each contain several standard digital and HD channels that we have bundled together. Our most popular packages are our sport and film packages: Sport1, Eredivisie Live and Film1. In February 2012, we became the first operator in the Netherlands to add the HBO package to its product offering. We also offer premium packages, such as Turkish, Chinese and Hindi channels, and an adult entertainment and a gay lifestyle package. Subscribers who subscribe for any of our digital pay TV products must also purchase our standard TV service.

| Package   | Monthly subscription fee<br>(€, including VAT) |
|---|--|
| Sport1  | 14.95  |
| Film1   | 14.95  |
| Combi Film1 and Sport1  | 22.95  |
| Eredivisie Live   | 16.95  |
| HBO   | 14.95  |
| Standard Turkish package  | 6.95   |
| Extended Turkish package (including the Standard Turkish Package) | 21.95  |
| Chinese package   | 9.95   |
| Hindi package   | 24.95  |
| Adult entertainment   | 11.95  |
| Gay lifestyle package   | 9.95   |

### Interactive TV

We offer subscribers equipped with interactive TV (“iTV”) receivers the option to use several interactive services. In addition to the interactive services Films on Demand, Series on Demands and Catch-up TV, we

offer transactional video-on-demand, which allows subscribers to order recent movies and television shows, paying per transaction. Since April 1, 2011 we have offered subscribers the “Pay Per Event” service, through which a subscriber can order a football match from Eredivisie Live through our website and does not need a special iTV receiver (just a standard digital TV receiver).

### *Our Programming Content*

We license the rights for our digital pay TV programming content from content providers and third-party rights holders, including broadcasters and collective rights associations. If we pay license fees, we pay based on subscriber numbers and our agreements with certain providers require us to pay minimum guarantees. We also pay royalties based on our subscribers’ usage of “On-Demand” content. We pay distribution/license fees to several broadcasters in order to distribute their programs 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 us. We have signed new agreements (or in some cases we are in the process of renewing existing agreements) with large commercial broadcasters in the Netherlands under which we are to pay them for the right to distribute their content and are to receive new content rights, including high definition, video-on-demand and “TV Everywhere” rights. For on-demand content (TVoD) that is purchased by our subscribers, we generally pay a revenue share of the retail price, subject, for certain on-demand content, to fixed minimum guarantees. For packaged on-demand content we pay on a per-subscriber basis, sometimes with minimum guarantees. We license third-party copyrights with various collective rights associations. We expect that our content costs (above the minimum amounts) will increase in line with increased revenues from digital pay TV and on-demand content.

### *Broadband Internet*

During 2009, we fully upgraded our network to EuroDocsis 3.0 technology. To enjoy the higher speeds supported by this technology, customers must use EuroDocsis 3.0 modems. In 2009, we began shipping EuroDocsis 3.0 modems to all new and existing subscribers who had subscribed for high-speed broadband internet speeds and expect to have shipped these modems to all of our subscribers by 2013. We now offer three standalone tiers of broadband internet service (“Internet Z1”, “Internet Z2”, “Internet Z3”) next to our standard TV service and three tiers of broadband internet service within the All-in-1 bundles (“Basic”, “Plus” and “Extra”). Download speeds range from 5 Mbps (Internet Z1) to 120 Mbps (All-in-1 Extra).

|  | As at December 31, 2011 |        | As at April 1, 2012 |        | Monthly subscription fee<br>(€, including VAT) |
|--|-------------------------|--------|---------------------|--------|--|
|  | Download                | Upload | Download            | Upload |  |
|  | (Mbit per second)       |        |                     |        |  |
| Basic All-in-1 bundle <sup>(1)</sup> . . . . . | 10                      | 1      | 10                  | 1      | 42.00  |
| Plus All-in-1 bundle <sup>(1)</sup> . . . . .  | 40                      | 4      | 50                  | 5      | 52.00  |
| Extra All-in-1 bundle <sup>(1)</sup> . . . . . | 120                     | 10     | 120                 | 10     | 67.00  |
| Internet Z1 . . . . .                          | 5                       | 0.5    | 8                   | 1      | 19.95  |
| Internet Z2 . . . . .                          | 30                      | 3      | 30                  | 3      | 29.95  |
| Internet Z3 . . . . .                          | 50                      | 5      | 80                  | 8      | 47.95  |

(1) In addition to broadband internet, our All-in-1 bundles include TV Standaard and telephony.

These upgrades and the roll-out of modems have supported an increase in broadband internet subscribers, from 1.4 million as at December 31, 2008 to 1.7 million as at December 31, 2011, while during that time there was little growth in the Dutch broadband internet market because penetration was already high. We have also increased the proportion of All-in-1 bundle subscribers subscribing for the higher value “Plus”

and “Extra” packages relative to “Basic” packages, a continuation of this trend that we believe will support ARPU growth in future. These increases are set out in the table below.

|   | As at December 31, |                |              |
|---|--------------------|----------------|--------------|
|   | 2009               | 2010           | 2011         |
|   |                    | (thousands, %) |              |
| <b>Total broadband internet subscribers (thousands)</b> . . . . . | <b>1,445</b>       | <b>1,545</b>   | <b>1,662</b> |
| Basic All-in-1 bundle (% of total) . . . . .                      | 15%                | 18%            | 22%          |
| Plus All-in-1 bundle (% of total) . . . . .                       | 27%                | 45%            | 47%          |
| Extra All-in-1 bundle (% of total) . . . . .                      | 5%                 | 6%             | 7%           |
| Internet Z1 (% of total) . . . . .                                | 35%                | 21%            | 16%          |
| Internet Z2 (% of total) . . . . .                                | 14%                | 8%             | 7%           |
| Internet Z3 (% of total) . . . . .                                | 4%                 | 2%             | 1%           |

As at December 31, 2011, we provided our broadband internet service to approximately 1.66 million subscribers, or 39.6% of our homes passed. Our broadband internet services (including value-added services such as Back-up Online) generated an ARPU of €21.60 per month in the year ended December 31, 2011, compared with €21.30 for year ended December 31, 2010.

### Telephony

We offer telephony services using Voice over Internet Protocol technology (“VoIP”), which allows our subscribers to make traditional fixed-line telephone calls using a standard telephone handset and provides comparable quality to the PSTN and VoIP telephony services offered by KPN and others. Telephony subscribers must also purchase our standard TV service. Our basic service plan (“Telefonie Z1”) provides subscribers with a telephone line, and calls from Ziggo telephony subscribers to other Ziggo subscribers have been free of charge since September 1, 2011 (previously, these subscribers were charged 50% of the standard tariff for such calls). The monthly subscription fee for Telefonie Z1 is €9.95 (including VAT). In addition, we offer two other plans: unlimited free calling to fixed lines in the evenings and on weekends (“Telefonie Z1 + Volop Bellen Avond & Weekend”) and unlimited free calling to fixed lines in the Netherlands and to 15 other countries (“Telefonie Z1+ Volop Bellen Altijd”) at monthly subscription fees of €6.00 and €10.00 respectively (including VAT). Subscribers can also purchase a second telephone line for a monthly subscription fee of €5.95 (including VAT).

As at December 31, 2011, we provided our telephony services to approximately 1.3 million subscribers, or 46% of our total subscriber base. Our telephony services (including All-in-1 bundle subscriptions) generated an ARPU from subscription of €7.59 per month in the year ended December 31, 2011, compared with €7.49 for the year ended December 31, 2010, and an ARPU from usage of €11.43 per month, compared with €12.14 for the year ended December 31, 2010. The decrease in ARPU from usage is due primarily to the fact that subscribers who purchase our telephony services as part of the All-in-1 bundle typically yield a lower ARPU as they tend to be less active and have lower telephony usage rates than subscribers who purchase our telephony services on an individual subscription basis. In addition, calls to other Ziggo customers (on-net calls) were free-of-charge for All-in-1 bundle customers only, while non-bundle customers paid 50% of the standard tariff for such calls up until September 1, 2011. Since September 1, 2011, on-net calls have been free-of-charge for all customers.

### Our Business Product Offerings

We currently offer B2B services to business customers across three different market segments:

*SoHo and SME Small Businesses.* In May 2010, we repositioned our B2B operations to focus on the SME market segment, in particular SoHo and SME Small businesses already connected to our network. Because our HFC network is fully EuroDocsis 3.0 enabled, we can deliver high-speed broadband internet services, together with fixed telephony, to these businesses. Our HFC-based products are “Office Basis” and “Internet Plus”. “Office Basis” is our All-in-1 business package and consists of broadband internet, two telephony lines and the standard TV package; “Internet Plus” consists of broadband internet with SLA availability and fixed IP addresses, and the standard TV package. We also offer additional value-added services such as electronic payment, online security, back-up and hosting. Since we launched our repositioning campaign, we have increased our SoHo and SME Small business subscribers from 5,050 as at May 31, 2010 to 23,500 as at December 31, 2011.



*SME Medium Businesses.* Subscribers in the SME Medium market segment are larger users who require higher grade B2B services and higher speeds and tend to come from the education, healthcare, government, retail and B2B services sectors. We offer the tailored multi-user TV services “ToM” and “ToM Interactive” through our HFC network to businesses with more than five TV connections on their own coaxial network infrastructure. Examples are hospitals, holiday parks and penitentiaries. “ToM” provides the standard TV package for further distribution by the business customer. “ToM Interactive” provides the standard TV package and also enables end-users to buy an additional consumer subscription for (interactive) products such as broadband internet, telephony and digital pay TV. To businesses that are connected to our network through fiber, we offer broadband internet, Ethernet or IP based VPNs when business have multiple sites. On the basis of strict return-on-investment criteria, we sometimes install a direct fiber connection between the customer and the fiber backbone of our network. We anticipate that we will need to install fewer direct fiber connections in the future because the recent upgrades to our HFC network, including the EuroDocsis 3.0 upgrade, will allow for sufficient internet speeds utilizing existing cable connections to our fiber-based network backbone.

*Large, Corporate & Carrier.* Historically, the majority of our B2B revenues have been from large corporate accounts mainly in the utility sector, which we serve with tailored enterprise solutions. Services we offer mainly consist of fiber access and data services. In addition, we operate dedicated monitoring networks and manage enterprise telephony solutions including PBX and desk telephones for a number of energy companies. For the carrier market, we provide standardized Ethernet access services and voice termination services. Our carrier customers include fixed-line (including cable) and mobile operators.

On October 13, 2011, we acquired Breezz, a provider of innovative VoIP telephony services for the SME market, such as hosted PBX and SIP Trunking. Breezz caters to an extensive network of resellers. Through this acquisition, we have broadened our product portfolio for the SME market as we can now add VoIP multiline telephony services to our business bundles and service the growing market for cloud services to SMEs.

## **Mobile**

We aim to add mobility to our infrastructure to offer converged services to our customers over both a fixed and mobile infrastructure. However, we do not intend to become a traditional mobile operator. We plan to follow an efficient investment approach by leveraging our fixed network. We intend to leverage our current network by using high-speed modem / WiFi routers in homes and offices, possibly extended by WiFi coverage in public places. In the future we may upgrade these high-speed modem / WiFi routers with LTE (4G) functionality using our licenses in the 2.6 GHz spectrum band. We acquired these national mobile licenses totaling  $2 \times 20$  MHz for approximately €1 million during an auction 2010 through a joint venture with UPC.

We are in the process of developing a converged proposition for voice, broadband internet and video services, that makes use of our own infrastructure in and around homes, offices and public hotspots, complemented by a third-party radio access network at other locations in the Netherlands. For access to a third-party radio access network, we have recently signed a contract with Vodafone to allow us to offer full mobile services through its radio access network in the Netherlands as a virtual mobile network operator (“MVNO”).

In order to offer a converged solution, as well as other new services, we need to make upgrades and changes to our core network and IT systems. Examples are systems that facilitate CRM, billing, usage recording, provisioning, mediation and identity management. We intend to test this new solution through a pilot in the course of 2012.

We also plan to roll-out a small LTE network for pilot customers in an area of 80 square kilometers by May 2012 and 800 square kilometers by May 2015 to satisfy the roll-out obligations for our mobile licenses.

## **Subscription Fees**

We regularly review our pricing policy and in the past have increased our subscription fees as necessary in line with inflation and in response to market conditions and content costs. The pricing of all of our services, including our All-in-1 bundle, is dependent on market conditions and pricing by competitors with similar offerings. There have been no price increases for our standalone broadband internet or telephony services during the period under review. See “Operating and Financial Review—Key Factors Affecting Our Businesses and Results of Operations—Pricing” for more information.

## **Our Subscribers**

We sell our TV, broadband internet and telephony services—either on an individual service subscription basis or on a bundled basis—to consumer customers and business customers. The standard TV subscription serves as a basis for cross-selling and up-selling. Every single customer needs at least a subscription for the standard TV package to have access to our other services. Consumer subscription, consumer usage and other revenues account for most of our revenues and represented 94.1% of our total revenues for the year ended December 31, 2011. Within the consumer market, we market our services directly to subscribers in single dwelling units and multi-dwelling units, such as apartment buildings. We typically enter into standard form contracts with our subscribers for an indefinite period; they do not have to be renewed (in the Netherlands it is not allowed to renew contracts for a determined period). Contracts can be cancelled each month, after the first month.

Our B2B subscribers typically purchase our broadband internet and voice and other data services. As part of our repositioning, we have targeted SoHo and SME Small businesses, as described in “B2B” services above. Our B2B subscribers also include operators of multi-dwelling units where it is not possible for us to contract directly with the user, for example, hospitals, hotels and dormitories. B2B contracts have a fixed contract term (which can not be cancelled during the term); contract terms are typically one, two or three years for our SoHo and SME Small business services (based on HFC), three to five years for fiber based services and three, five or eight years for our business TV proposition for operators of multi-dwelling units.

## **Marketing**

Our consumer department is responsible for designing and promoting new products and services to customers. We launched our new brand name “Ziggo” in May 2008 and all of our products and services are now offered under this brand name. Since the launch, we have made several significant investments to establish our new brand name, including sponsoring the Ziggo Dome, a concert hall that is expected to open to the public in Amsterdam in June 2012. We have also launched on a trial basis Ziggo Studio stores in Zwolle, Utrecht and The Hague, which we use for service, sales and as forums for showcasing our new products and services to customers in our service area.

In September 2011, we launched the “Entertainment Experience”, a project to strengthen the Ziggo brand. This project will bring the first user-generated movie of its kind in the Netherlands: a movie composed and made by the audience. A team of professionals, led by international movie director Paul Verhoeven, will select scriptwriters, musicians, moviemakers and editors. This project will result in two different movies: one directed and cast by the team led by Paul Verhoeven and one fully made and created by the audience. The premiere of the movies will be held in the Ziggo Dome and be broadcast on TV.

We have participated in the development of technology for smart cards that can be connected to next generation Common Interface Plus (“CI+”) modules, for which an increasing number of the newest television sets are enabled. In order to ensure that CI+ modules work seamlessly with our smart cards, we have made arrangements with leading television manufacturers so that we can inspect their technologies and certify that they are Ziggo compliant.

## **Sales**

We market and sell our products to customers using a broad range of sales channels, primarily online sales direct from our website, inbound and outbound telesales. Sales from other retail outlets, including online stores generally focuses on digital TV products only. We also sell our services face to face with the customer at certain marketing events and sell our services face to face through our Ziggo Studio stores.

We encourage customers to purchase our services and products (for example, receivers) through our website, which we believe provides customers a clear explanation of our product prices and features, and results in lower subscriber acquisition costs. During the year ended December 31, 2011, we made approximately 466,000 subscription and product sales over our website, which represented approximately 27% of our total subscription and product sales during that period. Our website also contains a “call me back” button, which generated 284,000 subscription and product sales (17% of total sales) for the year ended December 31, 2011.

We currently outsource our inbound and outbound telesales to external service providers. Inbound telesales accounted for approximately 511,000 product sales, or 30% of our total product sales, during the

year ended December 31, 2011. Outbound telesales accounted for approximately 13,000 product sales, or 1% of our total product sales, during the year ended December 31, 2011.

We also partner with retail outlets, including BCC, Media Market, Expert, EP, Harense Smit and The Phone House. Retail partnerships accounted for approximately 432,000 product sales, or 24% of our total product sales, during the year ended December 31, 2011. This was mainly sales of starting packages for digital TV and CI+ modules (together with a new TV set sold by the retailer) and/or digital pay TV packages.

### **Customer Services**

The customer service function is responsible for all customer care activities, including handling queries and complaints from our customers. In addition, customer service also increasingly handles inbound sales, often as a result of a service call. During 2008, we introduced our single brand, changed our billing process, rolled out our All-in-1 bundle across our network and migrated all of our customer data to one unified database. These changes initially placed significant pressure on our customer service functions. However, during 2009 and 2010 our customer call volume steadily decreased. To reduce our call volume, we are focusing on new methods of customer service, including self-service provided by our automated online customer service agent, “Tess”, and through voice response and our website.

Our customer satisfaction levels as measured by customer surveys have risen steadily, from a sharp, one-time drop to 40% in June 2008 (after migrating systems and customer service activities) to 72% in January 2012. We believe this has contributed to further decreases in our subscriber churn rates from 2009 to 2011, which decreased from 9.8% to 9.1% in overall churn and from 4.8% to 4.1% in All-in-1.

We experienced a drop in service levels and customer satisfaction during the summer of 2011, but service levels have recovered since. We believe the main reason for this drop was the negative media attention we received in July and August 2011 following the switch-off of analog TV channels to free up space for more HD channels. In addition, we changed the frequency allocation of a small number of analog TV channels for efficiency reasons, which may have contributed to the decrease in customer satisfaction as some customers needed to adjust the programming of these channels. We also saw an increase in call volumes, which was driven by the introduction of our new TV proposition and migration of subscribers to this proposition, the change in frequency allocation of analog TV channels, the request for technical assistance with new modems shipped as a result of the modem swap, and a shortage of set-top boxes due to the high number of such boxes needed for new All-in-1 subscribers following successful campaigns in July and August 2011 that promoted our All-in-1 bundle offers. We have installed a dedicated team to work on the improvement of these service levels.

We operate dedicated customer contact centers at Groningen, Heerhugowaard, The Hague and Eindhoven. We employed approximately 1,259 customer and technical services full-time equivalent employees (“FTEs”), including temporary employees, as at December 31, 2011. We supplement our internal capacity with outsourced capacity for benchmarking reasons and because it is cost-effective to do so. All of our customer service agents are regularly trained in soft skills and on our new product offerings and campaigns. 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.

We are required by law to operate a “switch desk”, which enables customers to transition between different television, internet access and telephone providers with minimal disruption to their service.

We manage our billing operations internally. We bill all of our customers directly, except for some that are included in a bulk contract (institutions like senior homes). We offer our customers the choice between electronic and paper statements, various pre-pay options and the ability to make automatic bill payments. We frequently offer discounts to our customers that choose to pay by direct debit and as at December 31, 2011, approximately 96% of our consumer customers had chosen automatic bill payments. Direct debit customers pay their subscription one month in advance, invoice customers are charged a quarter in advance; usage (calls, VoD movies) is invoiced after one month. B2B customers are billed monthly, quarterly or on a yearly basis.

### **Network**

As at December 31, 2011, our network passed approximately 4.2 million homes and covered approximately 56% of the Netherlands by homes passed. Our HFC network consists of national and regional fiber networks, which are connected to the home over the last few hundred meters by coaxial cable. Our fiber-

based backbone extends on average to within 300 meters of our subscribers' homes and offices, which allows us to provide high broadband internet access speeds and advanced services to our subscribers. Average annual network availability of our network and product platforms is high, at approximately 99.95% during the year ended December 31, 2011.

Our network is comprised of the predecessor networks of the Casema Business, the Multikabel Business and the @Home Business. Each of these separate predecessor networks differed in terms of functionality, quality and capacity at the time we acquired them. We have since invested in the standardization and integration of the predecessor networks. We have also insourced most of the maintenance and operation of our network, which has produced significant cost savings, and created a single national operation center in Zwolle to monitor the network.

All of our network has been upgraded to bi-directional capability, which enables us to offer our advanced digital products, including high definition and interactive TV and broadband internet, across our network. In addition, approximately 98% of homes passed by our network are connected to our network with 862 MHz spectrum bandwidth, which is greater than the international industry average. The additional spectrum bandwidth provides us with sufficient capacity to offer our subscribers' increasingly data intensive services without the need to extend our fiber-based network backbone closer to our subscribers' homes.

During 2009, we fully upgraded our network to EuroDocsis 3.0 technology, which allows us to more efficiently manage our data traffic and thus offer higher broadband internet speeds across our network. We currently offer broadband internet service with top download speeds of 120 Mbps throughout our entire service area. We completed the roll-out of 120 Mbps service across our entire network in 2010. We believe that our upgraded HFC network allows us to offer broadband internet speeds that exceed those possible under current ADSL2+ and VDSL2 connections and that are competitive with speeds offered by FttH connections. We continue to closely monitor our network capacity and customer usage. Where necessary, we increase our capacity incrementally, for instance by splitting nodes in our network.

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 TV, broadband internet and telephony. As at December 31, 2011, approximately 127,000 of the approximately 4.2 million homes passed by our network were reached by a third-party-owned network.

In May 2010, one of our holding companies acquired, through a joint venture with UPC, four mobile licenses from the Dutch government totaling  $2 \times 20$  MHz in the 2.6 GHz spectrum band with a term of 20 years. Under the terms of the licenses, the joint venture will be required to offer a public commercial communications service over a total area of 80 square kilometers after two years and over a total area of 800 square kilometers after five years. This license, which can be used to offer LTE-based mobile broadband internet access and services, will give us the flexibility to exploit opportunities in the mobile broadband internet market, as described in more detail above in "Mobile".

## **IT Infrastructure**

During the three years following the merger of our three predecessor businesses (see "Certain Relationships and Related Party Transactions—Related Party Transactions—The Creation of the Ziggo Group"), we have integrated their systems and built new data centers and IT infrastructure. Our current IT platforms were selected for their performance, reliability and scalability.

Our information technology systems cover the following functional areas:

- Interaction support systems: customer contact and interaction, including call center support systems (computer telephony integration and automatic call distribution), interactive voice response units ("IVRs"), various websites and portals;
- Business support systems: CRM, order management, trouble ticketing, billing, fraud management, revenue assurance, interconnection billing and reconciliation, commissioning and service level agreement management;
- Operations support systems: provisioning, network inventory, service assurance, traffic data collection and network mediation systems, network planning, workforce management and project management;
- Decision support systems: data warehousing, data mining, and business reporting systems;

- Enterprise resource planning systems (“ERP”), supporting internal processes such as general ledger, treasury and human resource management;
- IT Infrastructure services: office automation, communications, intranet, internal IP networking, application and database hosting and storage; and
- Network technology: several service-specific platforms for video, voice, internet and related value-added service components (e.g., interactive TV, voice-mail, security).

Our information technology systems undergo ongoing enhancements to support the services and offerings we provide to our customers, to improve functionality and working processes (both customer facing and internal) and to introduce new technical capabilities.

### Competition

We face competition from established and more recent competitors and may face competition from new entrants in the future. The nature and level of the competition we face varies for each of the products and services we offer, but in each case we compete on the basis of price, marketing, network quality, product and service portfolio specifications and quality and customer care. Our competitors include, but are not limited to, providers of television, broadband internet and telephony services using DSL, PSTN or fiber connections, including KPN and Tele2, providers of television services using alternative and emerging digital technologies such as IPTV and OTT-television, DTH providers, including CanalDigitaal, DTT providers and mobile network operators. We also compete with other sources of news, information and entertainment such as newspapers, movie theatres, live sporting and music events, computer games and home video products. For further details on the competition we face in respect of our product offerings, please see “Industry and Market Overview”.

### Licenses

We believe that we hold all licenses necessary to operate our business. See “Regulation”.

### Property and Equipment

Our principal asset is our network, which consists of numerous cables, telecommunications installations, including exchanges of various sizes and transmission equipment, all of which are located in the Netherlands. Of our approximately 25,000 kilometers of fiber network, a substantial majority has been registered at the Land Registry. For practical reasons not all of the fiber cables have been registered at the Land Registry. However, on the basis of Dutch law, which provides for horizontal accession (*horizontale natrekking*), the non-registered fiber cables are owned by us as well. We own most of the equipment needed for the core operations and own approximately 65% of the technical sites, which comprise approximately 330 small-sized technical sites (less than 50 square meters) and 60 medium sized technical sites (up to 2400 square meters), with a total space of over 34,000 square meters. We believe that our properties and equipment are in good condition and are suitable and adequate for our business operations. None of our significant properties are subject to material easements that prevent or restrict the current business activities or that are believed to require major investments or costs going forward.

We do not own material pieces of land or offices. Our headquarters are located at Atoomweg 100, Utrecht, the Netherlands, where we lease office space of a total of 12,000 square meters. The lease may not be terminated until May 22, 2019. We also lease minor offices and sales facilities in the Netherlands. The total area of our offices was approximately 53,000 gross square meters as at December 31, 2011.

The following table summarizes the properties we leased as at December 31, 2011:

| <u>Property Type</u>         | <u>Approximate<br/>Aggregate Size</u><br>(square meters) |
|------------------------------|--|
| Ziggo Headquarters . . . . . | 12,000   |
| Offices . . . . .            | 34,000   |
| Warehouses . . . . .         | 5,000  |
| Stores . . . . .             | 2,000  |



## **Insurance**

Our fixed assets such as technical and office equipment in our network operating centers, network hubs, headends and office locations, but excluding certain portions of our HFC network, are protected by a bundled industrial insurance policy (damages from fire, catastrophes, piped water, storm and hail). Losses due to business interruption are not covered. We are not insured for risks of property damage to parts of the network because our network includes redundant capacity that can be utilized to maintain service in the case of damage to a portion of our network. In addition, we do not have full insurance coverage for operational risks because we believe that these risks either cannot be insured at all, or can only be insured on unreasonable terms and conditions. While we have no insurance against the risk of failure by subscribers to pay, we have alternative controls to mitigate this risk, including collection processes and arrangements with collections agencies. We also have various legal services and motor vehicle insurance policies including third party liability insurance as well as fully comprehensive coverage for our vehicle fleet.

We provide directors' and officers' liability insurance for all members of our Management Board and Supervisory Board, as well as certain other persons within our Group. See "Management, Supervisory Board and Employees".

We believe that our existing insurance coverage, including the amounts of coverage and the conditions, provides reasonable protection, taking into account the costs for the insurance coverage and the potential risks to business operations. However, we cannot guarantee that no losses will be incurred or that no claims that go beyond the type and scope of the existing insurance coverage will be filed against us.

## **Legal Proceedings**

We are involved in a number of legal proceedings that have arisen in the ordinary course of our business. Other than as discussed below, we do not expect the legal proceedings in which we are involved or with which we have been threatened to have a significant effect on our financial position or profitability. The outcome of legal proceedings, however, can be extremely difficult to predict with certainty, and we can offer no assurances in this regard.

We are involved in several patent disputes with Rovi Corp, Starsight Telecast Inc. and GemStar Development Corporation (jointly, "GemStar"). GemStar holds a large patent portfolio related to electronic program guide ("EPG") products and services. GemStar has alleged that we infringe upon three of these patents. GemStar claims that (i) any of our cable customers who receive digital TV are infringing GemStar's patents by using EPG functionalities built into their set-top boxes that involve GemStar's patents and (ii) we as a service provider are liable for such infringements regardless of whether any individual cable customer uses a set-top box purchased from us or a third party. Furthermore GemStar claims we infringed one of their patents in relation to the Ziggo TV App, which enables customers to download an electronic program guide on a tablet or smartphone. GemStar has initiated legal proceedings against us before the District Court of The Hague based on alleged infringement of these patents. The possible financial impact of such infringement actions is difficult to predict. In the event of an adverse outcome, it is possible that we would have to pay damages and royalties to GemStar going forward. Although several set-top box suppliers provide us with indemnities for losses caused by the infringement of intellectual property by their products, such protections may not be sufficient to cover all damages and royalty payments that we may be required to make to Gemstar. The District Court of The Hague has ruled on May 18, 2011 that one of the patents in suit is invalid. Gem Star has appealed this decision, which is still pending.

We are involved in several disputes with local public organizations that are charged with advising television operators on obligatory television programming ("Programme Councils") relating to the distribution of channels on our standard TV service. Several Programme Councils have requested administrative sanctions against us, arguing that certain television channels that they have advised us to carry are distributed only in the digital part of the standard package where they should be distributed in the obligatory analog part of the standard package. The district court in Groningen has ruled that the advice of these Programme Councils did not comply with the law and therefore was not binding for Ziggo. The Programme Councils have appealed this decision and several Programme Councils have started new cases against Ziggo, arguing that Ziggo does not follow their advice to distribute certain television channels on the obligatory analog part of the standard TV package. Nevertheless, as a result of future rulings in connection with the composition of the analog package, we may be subject to administrative fines and may be required to replace more popular programming with programming advised by Programme Councils,



which could affect the popularity of our analog service. In addition, disputes with Programme Councils may lead to negative publicity that affects our brand and market image.

We are involved in legal proceedings with Stichting Brein in connection with The Pirate Bay, a torrent website. Brein represents copyright holders in anti-piracy disputes and has claimed that the website facilitates the sharing of illegal content. Following several unsuccessful legal actions against The Pirate Bay, Brein applied in a procedure on the merits for a court order to force Ziggo and XS4ALL to block their subscribers' access to The Pirate Bay website. The judge has granted the blocking order. Ziggo and XS4ALL will appeal this decision. We do not expect the effects of the blocking order on our results of operation to be significant.

We are involved in legal proceedings with collective rights organization Norma over the payment of royalties to performing artists who are represented by Norma and broadcast on television channels through Ziggo and other cable operators. The District Court of The Hague dismissed Norma's claims for royalties to be paid on January 28, 2009. Norma has appealed the decision. The outcome of the appeal will be relevant to negotiations with several rights organizations representing artists.

We are involved in an arbitration procedure with the municipality Gemeente Den Bosch in connection with an agreement related to the delivery of the standard TV subscription in Den Bosch. On June 29, 2011, arbitrators ruled in an interim judgment that the agreement cannot be terminated or changed on the basis of unforeseen circumstances. However, the arbitrators also considered that the agreement has sufficient basis for a reasoned request made by Ziggo to the municipality to raise the price for the standard TV proposition on the basis of improved quality and quantity thereof. Ziggo is now considering further steps.

### **Tax Regulatory Considerations**

The Dutch tax authorities have conducted a regular tax audit in respect of corporate income tax (*vennootschapsbelasting*) and VAT (*omzetbelasting*) due in and/or over the years ending December 31, 2005, 2006 and 2007. The main focus of the corporate income tax audit was on the funding structure and the acquisition and financing expenses (including accrued and/or paid interest) in connection with the acquisitions of Multikabel, Casema and @Home (the "predecessor businesses"). Corporate income tax due on the operations of the Ziggo Group is assessed on Zesko B.V., which files a consolidated tax return for corporate tax purposes. Following completion of the regular audit, we concluded an agreement with the Dutch tax authorities in December 2011 regarding our corporate income tax and VAT filings applicable for the years 2005 up to and including 2011 for these subject matters. This agreement resulted in a decrease of the deferred tax asset by an amount of €1,889,351, which is reflected in the accounts for the year ended December 31, 2011.

## REGULATION

### Overview

The television, telephony and internet access 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. OPTA and the Agentschap Telecom (the Radiocommunications Agency (“AT”)) supervise and enforce compliance with certain parts of the DTA. Pursuant to the DTA, OPTA is designated as a National Regulatory Authority (“NRA”), together with the Dutch Ministry of Economic Affairs, Agriculture and Innovation. The Commissariaat voor de Media (the Dutch Media Authority (“CvdM”)) is authorized to supervise and 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 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 EU directives that require the EU’s Member States to harmonize their laws and (ii) certain EU regulations (e.g., EU Roaming Regulation No. 544/2009) that have effect without any national transposition.

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

On November 25, 2009, the European Parliament and the European Council agreed on a set of amendments to the Regulatory Framework. The amendments to the Regulatory Framework, which were published in the European Union Official Journal on December 18, 2009, had to be transposed in each of the EU Member States before May 26, 2011. This transposition has not yet taken place in The Netherlands. Generally, the changes to the Regulatory Framework are limited, but they will affect us. Certain new powers will be given to national regulators; in the Netherlands to OPTA. Also, enhanced powers will be given to Member States to impose quality of service requirements on internet service providers, which may restrict our flexibility with respect to providing broadband internet services.

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 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, 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 provision of public electronic communications networks or services cannot be subject to a permit or other administrative requirements. Instead, the DTA contains a system of general authorizations. A provider of a public electronic communications network or service needs to notify OPTA 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. AT administers the frequency spectrum and grants licenses. OPTA administers licenses with regard to telephone numbers.

### *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, that should be implemented to ensure end-to-end connections. If a provider does not comply with its obligation to enter into negotiations, OPTA, 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, OPTA has the power to secure access, interconnection and interoperability in the interest of end-users. The interoperability obligations imposed by OPTA must be objective, transparent, proportionate and non-discriminatory.

### *Significant Market Power*

To ensure that the telecommunications markets become genuinely competitive, OPTA 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 OPTA sets behavioral rules beforehand with which operators or service providers with significant market power must comply. For example, the provisions of the DTA permit OPTA 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, OPTA needs to determine, in accordance with the principles of the general European competition law, in which relevant market(s) the operator or service provider competes. OPTA must do this while taking into account the "Commission Recommendation on the relevant product and service markets (2007/879/EC)", published by the European Commission. In this recommendation, the European Commission predefined those product and service markets in which ex ante regulation may be warranted. Until December 2007, there were 18 such markets, but on December 17, 2007, the Commission adopted a new recommendation reducing the list of markets to seven. OPTA is required to investigate these seven predefined markets, which are the following:

#### *Retail level*

- Access to the public telephone network at a fixed location for residential and non-residential customers;

#### *Wholesale level*

- Call origination on the public telephone network provided at a fixed location;
- Call termination on individual public telephone networks provided at a fixed location;
- Wholesale (physical) network infrastructure access (including shared or fully unbundled access) at a fixed location;
- Wholesale broadband access;
- Wholesale terminating segments of leased lines, irrespective of the technology used to provide leased or dedicated capacity; and
- Voice call termination on individual mobile networks.

OPTA may also predefine additional relevant markets.

A company will be deemed to have significant market power if it, either individually or jointly with others, 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 OPTA determines that a company has significant market power, OPTA will have to impose one or more appropriate 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. OPTA also monitors compliance with ex ante regulation. OPTA completed its first round of market analyses in 2005, which were effective during the period of 2006-2008. In 2008, OPTA finished its second round of market analyses for the period of 2009-2011. In the context of the third round of market analyses, OPTA 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. The remaining market analysis decisions are expected to be adopted in the course of 2012.

OPTA is under a statutory obligation to review any decision as a result of which obligations are imposed within three years after the adoption of such a decision. The European Commission has the power to veto a finding by OPTA of significant market power (or the absence thereof) in any market, whether or not it is included in the seven predefined markets.

In the recent past, OPTA has determined that we have significant market power in two markets. More specifically, OPTA has found that we have significant market power in the wholesale market for call termination on public telephone networks (the third market in the list above and hereafter referred to as the “call termination market”) and in the market for wholesale broadcasting transmission services (an additional OPTA-defined market). The relevant OPTA decisions are discussed below.

#### ***OPTA Call Termination Market Analysis Decision***

In respect of the call termination market, on July 7, 2010, OPTA adopted a market analysis decision concluding that all providers of call termination on fixed-line and mobile networks in the Netherlands have significant market power since all such providers control access to end-users connected to their respective public telephone networks. As a result, we are subject to specific obligations regarding access, transparency (i.e., publication of a reference offer) and tariff regulation. This decision covers the period between July 7, 2010 until July 7, 2013. The decision significantly reduced mobile and fixed terminating tariffs. The mobile terminating tariff caps will likely also apply to our mobile voice terminating services, once offered. We, among others, appealed the decision on the grounds that OPTA erred in calculating the fixed termination tariffs and has unlawfully provided the mobile network operators with a transition period for bringing down the mobile terminating tariffs until September 2012. Also, mobile network operators appealed the decision arguing that the tariff regulation imposed by OPTA was too strict. On August 31, 2011 the court published its ruling in which the court agreed with market parties that the cost model adopted by OPTA was too strict, as it only allowed recoupment of incremental costs. For mobile termination, the court adjusted the tariff caps in the transitional period and the tariff for the final year. This tariff will also likely apply to our mobile voice terminating services once we start offering mobile voice services. For fixed-line termination and interconnection charges, the court ordered OPTA to adopt a new decision no later than January 1, 2012, taking the court’s ruling into account. OPTA adopted a draft decision on November 7, 2011. The consultation period for this draft decision lapsed on December 19, 2011. The draft decision was notified to the European Commission on January 12, 2012 and caps charges for fixed-line termination at €0.0037 per minute. On February 13, 2012, the European Commission announced that it has opened an in-depth investigation into OPTA’s draft decision. OPTA is expected to adopt a final decision after taking the outcome of the investigation into account in the course of this year. Our business could be adversely affected if OPTA adopts different fixed-line termination tariffs in its final decision. The new decision will be subject to appeal.

#### ***OPTA Broadcast Market Analysis Decision***

In respect of television services, on March 5, 2009, OPTA published a market analysis decision regarding our broadcast transmission platform. In that decision, OPTA found that we had significant market power in the market for wholesale broadcasting transmission services and access to broadcasting transmission services. The broadcast market analysis decision imposed a number of obligations on us regarding access,

non-discrimination, transparency (i.e., publication of a reference offer) and tariff regulation. The decision excluded KPN as a beneficiary of the access obligations.

However, OPTA's decision was overturned by the Trade and Industry Appeals Tribunal in an August 18, 2010 decision. No appeal is possible from this decision. The Trade and Industries Appeals Tribunal found that OPTA's market analysis did not define the relevant geographical market in accordance with the general principles of European competition law as required by the DTA, because it failed to demonstrate sufficiently that clear disparities in competition existed between the respective coverage areas defined by OPTA of the cable operators. As a result, the Trade and Industries Appeals Tribunal determined that there was no longer a basis for the obligations imposed by OPTA and nullified OPTA's decision entirely. As a result of the nullification of OPTA's market analysis decision by the Trade and Industry Appeals Tribunal, the WLR-C tariff and implementation decisions have lost their legal basis and have subsequently been annulled by the Trade and Industry Appeals Tribunal.

On the basis of the OPTA decision we had allowed our competitor Tele2 to resell our analog TV package. This resulted in a limited number of our customers applying for a Tele2 subscription. As a result of the nullification of OPTA's decision, we no longer have an obligation to allow the resale of our analog TV package and Tele2 no longer offers services over our network.

#### *New OPTA Market Analyses*

On June 23, 2011, OPTA published a document containing OPTA's views on the regulation of several telecommunication markets (reguleringsvisie). OPTA's overall conclusion in this document was that the telecommunication markets are developing toward genuine competition and that there is no need to impose obligations on cable operators.

#### *Broadcasting*

On June 23, 2011 OPTA published a document containing preliminary conclusions regarding the broadcasting markets. OPTA concluded that competition has improved, in particular because of the increased use of digital TV products, and that therefore, regulatory intervention would not be justified. Consequently, access obligations or other obligations for cable network operators are no longer required. A national consultation on these preliminary conclusions, allowing views and comments by third parties to be submitted, was conducted until August 18, 2011. OPTA adopted its final conclusions on December 20, 2011 after notification to the European Commission. The European Commission did not have any comments and approved the draft decision. In its final conclusions, OPTA determined that no party has SMP on the broadcasting markets and that regulation is not required. Several market participants have lodged an appeal against OPTA's decision not to impose obligations on cable operators, which is expected to take approximately 12 to 18 months to resolve, but the Company would not be regulated by OPTA pending such appeals.

#### *ULL (including FttH), Fixed Telephony, Wholesale Broadband Access and FttO*

On June 23, 2011, OPTA published its draft unbundled local loop (ULL) decision. The national consultations for the ULL draft market analysis decision lapsed on August 18, 2011. On October 5, 2011, OPTA invited market parties to provide additional input for its ULL analysis, with a deadline of October 18, 2011. The final decision regarding ULL (including FttH access) was adopted on December 29, 2011. This decision regulates access to the MDF, SDF and ODF (FttH) of KPN, but does not impose any obligations on cable operators.

OPTA published its draft market analysis decision on the fixed telephony market on July 14, 2011. The national consultation for this decision lapsed on September 8, 2011. Due to a September 30, 2011 ruling by the Industry Appeals Tribunal regarding the July 14, 2011 fixed telephony decision, the market analysis will be slightly delayed as OPTA needs to take this ruling into account. OPTA has invited additional input for the fixed telephony analysis twice. The final fixed telephony market analysis decision is expected to be adopted in April 2012, including stricter obligations for KPN but no obligations for cable operators.

OPTA's draft market analysis decisions on the wholesale broadband access and Fiber-to-the-Office ("FttO") markets were published on October 6, 2011. The national consultation for these two draft decisions lapsed on November 17, 2011, after which the draft decisions were notified to the European Commission on February 21, 2012. The final decisions are expected by the end of March 2012. It is expected that no obligations will be imposed on cable operators in these decisions.



### *Universal Service Provision and End-user Protection*

The fundamental requirement of universal service is to provide all end-users on request with a connection to the public telephone network with a certain minimal level of quality at an affordable price. This means that OPTA monitors the evolution and level of retail tariffs and quality of services provided. Universal service obligations constrain the possibilities of providers and involve costs that generally allow providers who are not subject to such obligations to make a greater profit than providers who are subject to such obligations. Apart from complying with universal service obligations, providers must comply with certain regulations protecting end-users, regarding information obligations toward consumers, amendments to end-user contracts, termination rights of consumers, quality reporting, access to emergency numbers and subscriber information. Access to emergency numbers have 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 subscribers who have consented to be included in the database. The database needs to be updated on a weekly basis.

### *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 and spam.

### *Interception and Data Retention*

Providers of public telecommunication networks and services can only make their networks and services available to clients 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 order or permission, in accordance with the technical and procedural requirements set forth in the Wiretapping of Public Telecommunications Networks and Services Decree (*Besluit aftappen openbare telecommunicatienetwerken en -diensten*) and the Legal Interception Telecommunication Decree (*Besluit beveiliging gegevens aftappen telecommunicatie*).

To the extent that the data is generated or processed, providers of public telecommunications networks and services must retain 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. Telephony data must be retained for a period of twelve months from the date of the communication, and internet data for a period of six months.

### *Radio and Television Transmission*

The distribution, but not the content, of television services to the public is regulated by the DMA, entailing obligations regarding the transmission of specified radio and television broadcast channels. With regard to broadcasting networks that are the main means of receiving content for a significant number of end-users, the network operators concerned must carry a 'basic package' to all those connected to the broadcasting network. If a significant number of end-users are using a digital network as the main means of receiving content, these must-carry obligations will also apply to digital transmission. This basic package consists of at least 15 television program services and at least 25 radio program services. A 'must-carry rule' applies for the three Dutch television public broadcasting channels, the two Belgian (Dutch language) public television broadcasting channels, and one regional and one local television broadcasting channel. In addition, a must-carry rule also applies to a total of 9 radio broadcasting channels. 'Programme councils' advise the network operators as to which 15 television channels and which 25 radio channels must be transmitted to the public, including the must-carry channels.

The CvdM can grant a (conditional) exemption from these 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 financing mechanism in place between network operators and broadcasters. Public broadcasts are transmitted for free by the cable operators. Commercial program providers, on the other hand, must negotiate with network operators regarding transmission fees.

In addition, on June 22, 2011 the Lower Chamber of the Dutch Parliament (*Tweede Kamer*) adopted several proposed amendments to the Telecommunication Act and the Media Act in order to implement the new European Regulatory Framework. These proposed amendments also contain provisions requiring operators that are subject to must-carry obligations to resell their radio and TV services at cost-oriented prices. Furthermore, under the proposed amendments OPTA will be granted the power to impose access obligations at the wholesale level on companies that are found to have significant market power in the retail markets for the provision of radio and TV services. In addition, OPTA will be obliged to also impose resell obligations at the wholesale level on those companies. The proposed amendments to the Telecommunication Act may expose us to future access and resell obligations if we are found to have significant market power in the retail markets for the provision of radio and TV services in the future. The proposed amendment with regard to the Media Act may expose us to resell obligations if the amendments are adopted by the First Chamber of Parliament (*Eerste Kamer*) and subsequently enacted. The final plenary debate in the First Chamber is scheduled for April 3, 2012. The proposed amendments would also need to be in conformity with the European Regulatory Framework in order to be valid and effective.

#### *Mobile Telecommunication Services*

In May 2010, we acquired four licenses for the use of 2.6 GHz spectrum, totaling  $2 \times 20$  MHz. These licenses are regulated by the DTA and contain roll-out obligations. Accordingly, we must provide, per license, a public communication service in the Netherlands with a geographical coverage of at least 80 square km within two years after obtaining the license (i.e. as at May 11, 2012), and within five years (i.e. as at May 11, 2015), a geographical coverage extending at least 800 square km. We do not anticipate any difficulty in meeting these obligations.

#### *Interference by Mobile Telecommunication Services*

The 800 MHz mobile frequencies which are scheduled for auction 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, Agriculture and Innovation, 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 data transmission networks are legal property of the rightful constructor of the network or his legal successor. Registration at the Land Registry (*het Kadaster*) is required for the transfer of legal ownership. Registration is also required to enjoy statutory protection against title claims of third parties. We have currently registered a substantial majority of our HCF network at the Land Registry.

## MANAGEMENT, SUPERVISORY BOARD AND EMPLOYEES

Set out below is a summary of certain relevant information concerning our Management Board, our Supervisory Board and employees, as well as a brief summary of certain significant provisions of Dutch corporate law in force on the date of this Prospectus and our Articles of Association (being our articles of association as they will read after the expected execution of the deed of amendment of our current articles of association prior to the closing of the Offering) in respect of our Management Board and our Supervisory Board. See “Description of Share Capital and Corporate Governance”.

The Company has a two-tier board structure consisting of a management board (*raad van bestuur*) (the “Management Board”) and a supervisory board (*raad van commissarissen*) (the “Supervisory Board”), in accordance with the Dutch full large company regime (*volledig structuurregime*) as set forth in the provisions of sections 2:158 to 2:162 inclusive and 2:164 of the Dutch Civil Code (*Burgerlijk Wetboek*), which is being applied by the Company. The Management Board is the executive body and is responsible for the day-to-day management of the Company and for the Company’s strategy, policy and operations. The Supervisory Board supervises and advises the Management Board.

### Management Board

#### *Powers, Composition and Functioning*

##### *General*

Our Management Board is responsible for the day-to-day management of our operations and is supervised by our Supervisory Board. Our Management Board is required to keep our Supervisory Board informed, consult with our Supervisory Board on important matters and submit certain important decisions to our Supervisory Board for its approval, as described below. See “—Supervisory Board”.

The business address of the members of our Management Board is: Ziggo N.V., Atoomweg 100, 3542 AB Utrecht, the Netherlands.

##### *Appointment, Dismissal and Suspension*

The Management Board must consist of at least one member, with the total number of members of the Management Board determined by the Supervisory Board. The members of the Management Board are appointed by the Supervisory Board. Prior to appointing a member of the Management Board, the Supervisory Board must inform the General Meeting of the proposed appointment. Our Articles of Association provide that members of the Management Board will be appointed for a maximum term of four years, provided, however, that unless such member of the Management Board has resigned at an earlier date, his or her term of office shall lapse on the day of the General Meeting to be held when four years after his or her appointment have lapsed. An appointment can be renewed for a term of not more than four years at a time.

The Supervisory Board is also entitled to temporarily suspend and to dismiss members of the Management Board. However, the Supervisory Board is only entitled to dismiss a member of the Management Board after the General Meeting has been heard in respect of the intended dismissal.

The Management Board as a whole is authorized to represent the Company. Additionally, any two members of the Management Board are jointly authorized to represent the Company.

In the event of a conflict of interest between the Company and one or more members of the Management Board, any two members of the Management Board jointly are still authorized to represent the Company, unless the General Meeting has appointed one or more other persons to represent the Company in the case at hand or in general in the event of such a conflict. A resolution of the Management Board with respect to a matter involving a conflict of interest with a Management Board member in a private capacity shall be subject to the approval of the Supervisory Board, but the absence of such approval shall not affect the authority of the Management Board or the members of the Management Board to represent the Company. Legislation is pending pursuant to which a member of the Management Board may not participate in the decision-making process if he/she has a direct or indirect personal interest that conflicts with the interests of the Company. Should this result in a situation whereby no resolution can be adopted, the Supervisory Board will be authorized to adopt such resolution.

In the event that all Management Board members are prevented from acting or are absent, the Supervisory Board will temporarily assume management control. In such an event, the Supervisory Board is authorized to designate one or more temporary Management Board members.

### *Meetings and Decision Making*

Pursuant to the Dutch Civil Code and our Articles of Association, resolutions of our Management Board in respect of an important change in the identity or character of the Company or our business are subject to the approval of our Supervisory Board and our General Meeting, which in any event include:

- the transfer of our business or substantially all of our business to a third party;
- the entry into or termination of a long-term cooperation by us or any of our subsidiaries with another legal entity or as a fully liable partner in a limited or general partnership, if such cooperation or the termination thereof is of far-reaching significance to us; and
- the acquisition or disposal by us or by any of our subsidiaries of a participation in the capital of another company, the value of which equals at least one-third of our assets according to our consolidated balance sheet with explanatory notes included in our most recently adopted consolidated annual accounts.

The request for approval as referred to in the paragraph above shall be submitted to our General Meeting only after our works council has been given a timely opportunity to determine a point of view in respect thereof. The point of view of our works council shall be submitted to our General Meeting simultaneously with the request for approval of our General Meeting. The chairman or a member of our works council designated by him may give an explanation at our General Meeting of the point of view of our works council. The absence of a point of view shall not affect the adoption of a resolution in respect of the request for approval.

Our Articles of Association further require our Management Board to obtain the approval of our Supervisory Board for resolutions with respect to any one or more of the following matters:

- the issue or acquisition of any of our shares or debt instruments or of debt instruments issued by a limited or general partnership of which we are a fully liable partner;
- the application for admission of the securities referred to in the previous bullet to trading on a regulated market or a multilateral trading facility as described in section 1:1 of the Dutch Financial Supervision Act or a similar system comparable to a regulated market or multilateral trading facility from a state which is not an EEA member state or the withdrawal of such admission;
- the entry into or termination of a long-term cooperation by us or a dependent company (*afhankelijke maatschappij*) of us with another legal person or partnership or as a fully liable partner in a limited or general partnership, if such cooperation or the termination thereof is of far-reaching significance for us;
- the acquisition of a participation by us or by a dependent company (*afhankelijke maatschappij*) of us in the capital of another company, the value of which equals at least the sum of one-quarter of our issued and outstanding share capital plus reserves, according to our balance sheet with explanatory notes included in our most recently adopted annual accounts, and any significant change in the size of any such participation;
- investments involving an amount equal to at least the sum of one-quarter of our issued share capital plus the reserves as shown in our balance sheet with explanatory notes;
- a proposal to amend our Articles of Association;
- a proposal to dissolve (*ontbinden*) our Company;
- a proposal to conclude a legal merger (*juridische fusie*) or a legal demerger (*juridische splitsing*), involving us;
- an application for our bankruptcy (*faillissement*) or for a suspension of payments (*surséance van betaling*) by us;
- the termination of the employment of a considerable number of our employees or of a dependent company (*afhankelijke maatschappij*) of us at the same time or within a short period of time;

- a material change in the employment conditions of a substantial number of employees, management incentive schemes and pension schemes of our Company or of a dependent company (*afhankelijke maatschappij*) of us;
- a proposal to reduce our issued share capital;
- the entering into, changing or terminating a contract with an interest that exceeds an amount which is to be determined by our Supervisory Board;
- the entering into, changing or settling material litigation, which litigation exceeds an interest with an amount which is to be determined by our Supervisory Board;
- the entering into, changing or terminating a material financing agreement or seeking waivers there under, which exceeds an interest with an amount which is to be determined by our Supervisory Board;
- the appointment or dismissal of a senior manager of our Company; and
- any other such resolutions as determined and clearly defined by our Supervisory Board and notified to our Management Board in writing.

#### *Members of our Management Board*

The table below lists the members of our Management Board as at the date of this Prospectus. These members have been appointed to our Management Board based on their positions on the management board of Zesko Holding B.V., which is our holding company within our Group at the date of this Prospectus. See “Certain Relationships and Related Party Transactions—Selling Shareholders”.

| <u>Name</u>                  | <u>Age</u> | <u>Position</u>          | <u>Member Since</u> | <u>Term</u>     |
|------------------------------|------------|--------------------------|---------------------|-----------------|
| Bernard Dijkhuizen . . . . . | 63         | Chief Executive Officer  | 2011 <sup>(1)</sup> | January 1, 2014 |
| Bert Groenewegen . . . . .   | 48         | Chief Financial Officer  | 2011 <sup>(2)</sup> | 4 years         |
| Marcel Nijhoff . . . . .     | 50         | Chief Commercial Officer | 2011 <sup>(3)</sup> | 4 years         |
| Paul Hendriks . . . . .      | 44         | Chief Technology Officer | 2011 <sup>(4)</sup> | 4 years         |

- (1) Member of the management board of Zesko Holding B.V. since 2007.  
(2) Member of the management board of Zesko Holding B.V. since 2010.  
(3) Member of the management board of Zesko Holding B.V. since 2006.  
(4) Member of the management board of Zesko Holding B.V. since 2010.

Mr. Dijkhuizen has been Chief Executive Officer of the Company since April 2011, when the Company was established. He assumed the same position at Zesko Holding B.V. in 2007, having previously been general manager at Essent Kabelcom B.V. from 2002 to 2007. Prior to 2002, Mr. Dijkhuizen was Managing Director of Libertel Network (part of Vodafone) and served on Libertel’s management board. He was Managing Director of Philips Projects from 1998 to 2000. His early career was with Fokker in production, engineering and commerce. From 1994 until 1996 he served as a member of Fokker’s board and as Vice President Marketing, Sales and Services. He then went on to serve as President of Stork Fokker Services. Mr. Dijkhuizen has more than 12 years of TMT experience.

Mr. Groenewegen has been Chief Financial Officer of the Company since April 2011. He became Zesko Holding B.V.’s Chief Financial Officer in 2010. Prior to joining Zesko Holding B.V.’s management board, Mr. Groenewegen was Chief Executive Officer of PCM Publishers from 2007 to 2009 after having served as its Chief Financial Officer from 2005 to 2007. From 2004 to 2005, Mr. Groenewegen worked for US-based private equity firm General Atlantic. From 1995 to 2004, he was Chief Financial Officer of Exact Software, where he also served as Group Financial Controller from 1993 to 1994 and supervised the company’s initial public offering in June 1999. Before joining Exact, Mr. Groenewegen worked for Arthur Andersen as an auditor from 1989 to 1991 and as financial manager for Sokkia Europe from 1991 to 1993. From 1986 to 1989, Mr. Groenewegen worked also for Exact Software in sales and product development. Mr. Groenewegen has more than 21 years of TMT experience.

Mr. Nijhoff has been Chief Commercial Officer of the Company since April 2011. He became Zesko Holding B.V.’s Chief Commercial Officer in 2007 and was appointed as a statutory managing director in 2006. Prior to joining Zesko Holding B.V.’s management board, Mr. Nijhoff was Vice-President Marketing & Sales and Chief Executive Offer of Multikabel N.V. for two years and Commercial Director



from 2001 to 2005. Mr. Nijhoff worked for PrimaCom RegionMitte in Leipzig, Germany between 2000 and 2001. During the late 1990s, he was Vice President Marketing with Amsterdam cable operator UPC/A2000. Mr. Nijhoff has more than 27 years of TMT experience, including 16 years in cable.

Mr. Hendriks has been Chief Technology Officer of the Company since April 2011. He became Zesko Holding B.V.'s Chief Technology Officer in 2008 and was appointed as a statutory managing director in 2010. Between 1992 and 2007 he managed a series of divisions at KPN, including Design & Development, Operations South-East, and Business Lines (Telephony and Broadband internet) as well as a series of major change programs, including All IP. Mr. Hendriks has acted as consultant, project manager and architect for a series of restructurings, reorganizations and innovations. Mr. Hendriks has more than 20 years of TMT experience.

#### ***Further Information on the Management Board as a Whole***

At the date of this Prospectus, none of the members of the Management Board has in the previous five years: (i) been convicted of any offences relating to fraud; (ii) held an executive function at any company at the time of or immediately preceding any bankruptcy, receivership or liquidation; (iii) been subject to any official public sanction by any statutory or regulatory authority (including any designated professional body); or (iv) been the subject of any official public incrimination or been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company.

No member of the Management Board has a conflict of interest (actual or potential) between his duties to the Company and his private interests and/or other duties.

#### **Supervisory Board**

##### ***Powers, Composition and Functioning***

###### *General*

Our Supervisory Board is responsible for the supervision of the activities of our Management Board and the general course of our affairs and our business. Our Supervisory Board may also, on its own initiative, provide the Management Board with advice and may request any information from the Management Board that it deems appropriate. In performing their duties, our Supervisory Board members must act in accordance with our interests and those of our business. The members of our Supervisory Board are generally not authorized to represent us in dealing with third parties. The Supervisory Board is collectively responsible for carrying out its duties.

The business address of the members of our Supervisory Board is: Ziggo N.V., Atoomweg 100, 3542 AB Utrecht, the Netherlands.

###### *Appointment, Dismissal and Suspension*

Our Articles of Association provide that the number of members of our Supervisory Board will be determined by our Supervisory Board and will consist of a minimum of three members. Only natural persons can be Supervisory Board members. The following persons cannot be appointed as Supervisory Board members: (i) persons employed by us or a dependent company (*afhankelijke maatschappij*) of us and (ii) members of our Management Board and persons employed by an employee organization that is regularly involved in the determination of the employment conditions of the persons referred to under (i). The relationship agreement also contains specific provisions on the composition of the Supervisory Board. See "Certain Relationships and Related Party Transactions—Relationship Agreement—Composition of the Supervisory Board".

Supervisory Board members are in principle appointed for a term of four years and unless such member resigns earlier, his or her appointment shall end on the day of the first annual general meeting of shareholders to be held four years after his or her appointment. The Supervisory Board has prepared a profile (*profiel*) of its size and composition, which takes into account the character of our business, our activities and the desired expertise and background of the Supervisory Board members. Each modification of the profile will be discussed with the General Meeting and with our works council. With each appointment of a member of the Supervisory Board, the profile must be taken into account.

The General Meeting appoints the Supervisory Board members in accordance with nominations by the Supervisory Board. The Supervisory Board must announce its nomination simultaneously to the General

Meeting and to our works council. A proposal for a nomination by the Supervisory Board must be submitted to the General Meeting only after our works council has been given a timely opportunity to determine a point of view in respect thereof. The chairman or a member of our works council designated by him may give an explanation at our General Meeting of the point of view of our works council. The absence of a point of view shall not affect the adoption of a resolution in respect of the proposal for the appointment. The nomination must give reasons justifying the nomination. The Supervisory Board appoints a chairperson and a vice-chairperson from among its members. The General Meeting and our works council may recommend candidates to the Supervisory Board to be nominated as Supervisory Board members. The Supervisory Board is required to nominate one third of the Supervisory Board members on the enhanced recommendation of our works council unless the Supervisory Board objects to the recommendation because of an expectation that the recommended person will be not suitable to fulfill the duties of a Supervisory Board member or that the Supervisory Board will not be of a proper composition if the appointment is made as recommended. If the Supervisory Board objects to the recommendation on these grounds, it shall inform our works council of its objection, stating its reasons. If no agreement can be reached between the Supervisory Board and our works council, the Enterprise Chamber of the Amsterdam Court of Appeal (*Ondernemingskamer van het Gerechtshof te Amsterdam*) (the “Enterprise Chamber”) will decide on the matter.

In addition, pursuant to the relationship agreement, each of Cinven Cable Investments S.à r.l. and WP Holdings IV B.V. will, following admission of the Ordinary Shares to listing and trading on Euronext Amsterdam, have the right to designate two individuals for nomination by the Supervisory Board as replacements for the members of the Supervisory Board appointed by the General Meeting per their designation as Cinven Supervisory Board member, or Warburg Pincus Supervisory Board member, as the case may be. Should the percentage of Ordinary Shares held (directly or indirectly) by the Cinven Group or the Warburg Pincus Group (both as defined under the relationship agreement), as the case may be, fall below 20%, Cinven Cable Investments S.à r.l. or WP Holdings IV B.V., as the case may be, will have the right to designate one individual for nomination by the Supervisory Board as member of the Supervisory Board. Should the percentage of Ordinary Shares held (directly or indirectly) by the Cinven Group or the Warburg Pincus Group, as the case may be, fall below 10%, Cinven Cable Investments S.à r.l. or WP Holdings IV B.V., as the case may be, shall no longer have special rights relating to the designation of individuals for nomination by the Supervisory Board as members of the Supervisory Board. See “Certain Relationships and Related Party Transactions—Relationship Agreement—Composition of the Supervisory Board”.

A Supervisory Board member can be suspended by the Supervisory Board. The suspension shall lapse by law if the Company has not submitted a petition to the Enterprise Chamber within one month after commencement of the suspension. The General Meeting can, by an absolute majority of the votes cast, representing at least one-third of the issued share capital, dismiss the Supervisory Board in its entirety for lack of confidence. A resolution to dismiss the Supervisory Board for lack of confidence cannot be adopted until the Management Board has notified our works council of the proposal for the resolution and the reasons therefor. If the General Meeting dismisses the Supervisory Board members for lack of confidence, the Management Board must request the Enterprise Chamber to temporarily appoint one or more Supervisory Board members.

### *Meetings*

Under our Articles of Association, a meeting of our Supervisory Board shall take place (i) at any time if the Supervisory Board deems it necessary, (ii) as often as our Management Board requests or (iii) as often as necessary pursuant to the provisions of our Articles of Association.

After the Restructuring prior to the closing of the Offering, the Supervisory Board is expected to adopt internal rules regulating its decision making process and working methods, in addition to the relevant provisions of our Articles of Association.

### *Members of Our Supervisory Board*

The table below lists (and the rest of the paragraph describes) the supervisory board of Zesko Holding B.V. at the date of this Prospectus, with the exception of Mr. Ruijter, who currently does not hold a position on the supervisory board of Zesko Holding B.V. After the Restructuring prior to the closing of the Offering, the members of the supervisory board of Zesko Holding B.V. are expected to be appointed to our

Supervisory Board based on their positions in Zesko Holding B.V., and Mr. Ruijter is expected to be appointed directly to our Supervisory Board.

| <u>Name</u>                     | <u>Age</u> | <u>Position</u> | <u>Member Since</u> | <u>Independent/<br/>Non-independent</u> | <u>Term</u> |
|---------------------------------|------------|-----------------|---------------------|---|-------------|
| Andrew Sukawaty . . . . .       | 56         | Chairman        | 2008                | Independent                             | 4 years     |
| David Barker . . . . .          | 44         | Member          | 2006                | Non-independent                         | 4 years     |
| Caspar Berendsen . . . . .      | 36         | Member          | 2009                | Non-independent                         | 3 years     |
| Paul Best . . . . .             | 33         | Member          | 2006                | Non-independent                         | 3 years     |
| Joseph Schull . . . . .         | 51         | Member          | 2006                | Non-independent                         | 4 years     |
| Dirk-Jan van den Berg . . . . . | 58         | Member          | 2009                | Independent                             | 3 years     |
| Anne Willem Kist . . . . .      | 66         | Member          | 2009                | Independent                             | 3 years     |
| Rob Ruijter . . . . .           | 60         | Member          | 2012                | Independent                             | 4 years     |

In addition, the Company intends to have an additional independent member of the Supervisory Board appointed prior to, or as soon as possible after, the closing of the Offering.

Mr. Sukawaty joined Zesko Holding B.V.'s supervisory board in 2008 and serves as Chairman. He is Chairman and Chief Executive Officer of Inmarsat, a global mobile satellite communications service provider. Mr. Sukawaty is a former non-executive chairman of Xyratex Ltd, former chairman of Telenet Communications NV and former deputy chairman of O2 plc. He was a partner in Cable Partners Europe between 2000 and 2003. Mr. Sukawaty was CEO and President of Sprint PCS in the United States from 1996 to 2000. Prior to this, he was Chief Executive Officer of NTL Limited. In the late 1970s and early 1980s, Mr. Sukawaty worked on the business development and establishment of various mobile telephony businesses for AT&T and US West in the United States. Mr. Sukawaty will be the chairman of the Selection, Appointment and Remuneration Committee.

Mr. Barker joined Zesko Holding B.V.'s supervisory board in 2006. Mr. Barker joined Cinven Limited in 1996 and is head of Cinven's Technology, Media and Telecommunications sector team. He has been involved in a number of transactions, including Ziggo, Eutelsat, Springer, Aprovia and MediMedia. Prior to joining Cinven Limited, Mr. Barker worked at Morgan Crucible and at Arthur Andersen.

Mr. Berendsen joined Zesko Holding B.V.'s supervisory board in 2009. Mr. Berendsen joined Cinven Limited in 2003 and is head of Cinven's Financial Services sector team. He has been involved in a number of transactions, including Guardian Financial Services, Avolon, Partnership Assurance, Ziggo and Maxeda. Prior to joining Cinven Limited, Mr. Berendsen worked at JP Morgan. He is a director of Guardian Financial Services, Avolon and Partnership Assurance.

Mr. Best joined Zesko Holding B.V.'s supervisory board in 2006. Mr. Best joined Warburg Pincus in 2002 and has been involved in a number of investments, including Ziggo, Poundland, Premier Foods and Clondalkin. Prior to joining Warburg Pincus, Mr. Best worked at Morgan Stanley. He is a director of Poundland.

Mr. Schull joined Zesko Holding B.V.'s supervisory board in 2006. He joined Warburg Pincus in 1998, where he is responsible for the firm's European investment activities. He is a member of the firm's Executive Management Group, which coordinates the firm's activities on a worldwide basis. He has been involved in a number of investments, including Zentiva, Loyalty Management Group, Fibernet, Mach, Multikabel and Ziggo. Prior to joining Warburg Pincus, Mr. Schull worked at the Ford Foundation and was a University Lecturer at Oxford University.

Mr. Van den Berg joined Zesko Holding B.V.'s supervisory board in March 2009. He has been president of the executive board of Delft University of Technology since March 2008. Among his previous positions, Mr. Van den Berg has acted as her Majesty's ambassador in China, Permanent Representative for the Netherlands to the United Nations in New York, Secretary General of the Ministry of Foreign Affairs and Deputy Director General at the Ministry of Economic Affairs.

Mr. Kist joined Zesko Holding B.V.'s supervisory board in 2009. Mr. Kist regularly advises the Ministry of Transport and the Ministry of Public Works and Water Management. Mr. Kist was the first Director General of the Dutch Competition Authority, where he worked from 1997 to 2003. He served as a member of the board of the AFM between 2005 and 2007. In August 2007, Mr. Kist voluntarily resigned from his position as a member of the board of the AFM after recognizing that he had breached the internal AFM compliance policy. The AFM did not impose any formal measures upon Mr. Kist in connection therewith. Mr. Kist also served as Chairman of the Board of the University of Leiden from 2003 to 2005. Mr. Kist

began his career as a lawyer, and was a partner at Loeff Claeys Verbeke and Pels Rijcken & Droogleevers Fortuijn between 1979 and 1997.

Mr. Ruijter is expected to join the Supervisory Board after the Restructuring prior to the closing of the Offering. Mr. Ruijter previously held financial executive board positions at Philips Lighting, ASM International, VNU, KLM and Baan. He currently has an advisory role at Verdonck Klooster & Associates and is a supervisory board member of Unit 4 N.V. and Wavin N.V.

### *Committees*

Our Supervisory Board is expected to appoint after the implementation of the Restructuring prior to the closing of the Offering two specialized committees: the Audit Committee and the Selection, Appointment and Remuneration Committee.

#### *Audit Committee*

The Audit Committee will consist of:

- Mr. Ruijter as chairman;
- Mr. Berendsen;
- Mr. Best; and
- Mr. Kist.

The Audit Committee will assist the Supervisory Board in fulfilling its oversight responsibilities for the integrity of the Company's financial statements, financial reporting process, the system of internal business controls and risk management, the internal and external audit process, the internal and external auditors' qualifications, independence and performance as well as the Company's process for monitoring compliance with laws and regulations. In addition, the Audit Committee will assist the Supervisory Board in its oversight responsibilities for the financing of the Company and the application of its information and communication technology.

The roles and responsibilities of the Audit Committee as well as the composition and the manner in which it discharges its duties are set out in the charter of the Audit Committee included in the regulations of the Supervisory Board. In addition, the relationship agreement contains specific provisions on the composition of the Audit Committee. See "Certain Relationships and Related Party Transactions—Relationship Agreement—Composition of the Supervisory Board Committees". The Audit Committee will meet as often as the chairman of the Audit Committee or a majority of the members of the Audit Committee deems necessary but in any event at least four times a year.

#### *Selection, Appointment and Remuneration Committee*

The Selection, Appointment and Remuneration Committee will consist of:

- Mr. Sukawaty as chairman;
- Mr. Barker;
- Mr. Schull; and
- Mr. Van den Berg.

The responsibilities of the Selection, Appointment and Remuneration Committee relating to selection and appointment will include preparing the selection criteria and appointment procedures for members of the Management Board and Supervisory Board, periodically evaluating the scope and composition of the Management Board and Supervisory Board, periodically evaluating the functioning of individual members of the Management Board and Supervisory Board, proposing the (re-)appointments of members of the Management Board and Supervisory Board and supervising the policy of the Management Board in relation to the selection and appointment criteria for senior management.

The responsibilities of the Selection, Appointment and Remuneration Committee relating to remuneration will include analyzing the possible outcomes of the variable remuneration components and how they may affect the remuneration of the members of the Management Board, preparing proposals for the Supervisory Board concerning remuneration policies for the Management Board to be adopted by the General Meeting, preparing proposals for the Supervisory Board concerning the terms of employment and

total compensation of the individual members of the Management Board, preparing proposals for the Supervisory Board concerning the performance criteria and the application thereof for the Management Board, preparing proposals for the Supervisory Board concerning the approval of any compensation plans in the form of share or stock options, ensuring that the structure of the Company's compensation programs are in line with the Company's strategy and support the growth and defined objectives, ensuring that the approved remuneration philosophy and programs are applied in a consistent way throughout the organization, overseeing the total cost of the approved compensation programs, preparing and publishing on an annual basis a report of its deliberations and findings and appointing any consultant in respect of executive remuneration.

The roles and responsibilities of the Selection, Appointment and Remuneration Committee as well as the composition and the manner in which it discharges its duties are set out in the charter of the Selection, Appointment and Remuneration Committee included in the regulations of the Supervisory Board. In addition, the relationship agreement contains specific provisions on the composition of the Selection, Appointment and Remuneration Committee. See "Certain Relationships and Related Party Transactions—Relationship Agreement—Composition of the Supervisory Board Committees". The Selection, Appointment and Remuneration Committee will meet as often as one or more of its members deem(s) necessary but in any event at least once a year.

#### ***Further Information on the Supervisory Board as a Whole***

At the date of this Prospectus, none of the members of the Supervisory Board has in the previous five years: (i) been convicted of any offences relating to fraud; (ii) held an executive function at any company at the time of or immediately preceding any bankruptcy, receivership or liquidation; (iii) been subject to any official public sanction by any statutory or regulatory authority (including any designated professional body); or (iv) been the subject of any official public incrimination or been disqualified by a court from acting as a member of the administrative, management or supervisory bodies of a company or from acting in the management or conduct of the affairs of any company.

At the date of this Prospectus, four members of the Supervisory Board are not independent within the meaning of the Dutch Corporate Governance Code as both Mr. Barker and Mr. Berendsen hold positions at Cinven and both Mr. Best and Mr. Schull hold positions at Warburg Pincus. See "Management, Supervisory Board and Employees—Supervisory Board—Powers, Composition and Functioning—Members of our Supervisory Board". Other than that, no member of the Supervisory Board has a conflict of interest (actual or potential) between his duties to the Company and his private interests and/or other duties.

### **Remuneration**

#### ***Management Board Remuneration***

The Company is expected to have a policy governing the remuneration of the Management Board. According to our Articles of Association, our General Meeting adopts such policy. A proposal to adopt a policy governing the remuneration shall be submitted to our General Meeting only after our works council has been given a timely opportunity to determine a point of view in respect thereof. The point of view of our works council shall be submitted to our General Meeting simultaneously with the proposal for the adoption of the policy governing the remuneration. The chairman or a member of our works council designated by him may give an explanation at the General Meeting of the point of view of our works council. The absence of a point of view shall not affect the adoption of a resolution in respect of the proposal for the adoption of a policy governing the remuneration. The remuneration policy is expected to be adopted by the General Meeting after the Restructuring prior to the closing of the Offering.

Pursuant to the proposed policy, the remuneration of each member of the Management Board will be determined by the Supervisory Board with due observance of the remuneration policy set by the General Meeting. With respect to arrangements with members of the Management Board in the form of shares the Supervisory Board submits a proposal to our General Meeting for approval. The proposal must include the number of shares that may be granted to the Management Board and which criteria apply to a grant or modification.

The policy governing the remuneration of the Management Board is aimed to attract, reward and retain highly qualified executives and to provide and motivate the members of the Management Board with a



balanced and competitive remuneration that is focused on sustainable results and is aligned with the long-term strategy of the Company.

In determining the remuneration of the members of the Management Board, the Supervisory Board will also take into account the impact of the overall remuneration of the Management Board on the pay differential within the Company.

The remuneration of the members of the Management Board will be determined at a range between the median and the 75<sup>th</sup> percentile of remuneration levels payable within a peer group of comparable national and international companies relevant to the Company from a labor market perspective.

Pursuant to the remuneration policy, the remuneration of the members of the Management Board consists of the following fixed and variable components:

- a fixed base salary;
- a variable, annual bonus (short-term annual cash incentive);
- a long-term variable incentive plan, in the form of conditional performance shares;
- pension and fringe benefits; and
- severance arrangements.

These components are discussed in more detail below.

The Supervisory Board has the authority to deviate from the policies as described in case it considers it necessary or desirable to do so in specific cases in order to attract and reward the most qualified members for the Management Board.

If any variable remuneration component conditionally awarded to a member of the Management Board in a previous financial year would, in the opinion of the Supervisory Board, produce an unfair result due to extraordinary circumstances during the period in which the predetermined performance criteria have been or should have been achieved, the Supervisory Board has the power to adjust the value downwards or upwards.

Furthermore, the Supervisory Board may recover from a member of the Management Board any variable remuneration awarded on the basis of incorrect financial or other data (claw back clause), which are materially incorrect, if such incorrectness is mainly attributable to acts or omissions of the member of the Management Board (e.g. if such incorrectness results from fraud or gross negligence). The Supervisory Board is authorized to amend the claw back provisions in case new legislation regarding adjustment or claw back of variable remuneration has been adopted.

#### *Fixed Base Salary*

The base salary of the members of the Management Board will be determined at a range between the median and the 75<sup>th</sup> percentile of salary levels payable within a peer group of comparable national and international companies relevant to the Company from a labor market perspective.

#### *Variable Annual Cash Bonus*

The objective of this short term annual cash incentive is to ensure that the Management Board is well incentivized to achieve performance targets in the shorter term.

A member of the Management Board will be eligible for an annual cash incentive up to a maximum percentage of his/her annual base salary. As per December 31, 2010 the maximum percentage for this purpose has been set at 70% of base salary for the Chief Executive Officer and at 60% of base salary for the other members of the Management Board. Performance conditions will be set by the Supervisory Board before or ultimately at the beginning of the relevant calendar year and shall include criteria concerning the Company's financial performance, qualitative criteria representing Company performance and/or individual qualitative performance. Performance targets in 2010 included customer satisfaction, turnover, EBITDA and cash flow.

### *Long-Term Incentive Plan*

The purpose of the long-term incentive plan (the “LTIP”) is to align the longer term interests of the members of the Management Board with those of the Shareholders and to provide an incentive for longer term focus and retention of the members of the Management Board.

The Company will operate the LTIP pursuant to which a member of the Management Board may be granted conditional performance shares. The Supervisory Board, at its sole discretion, may decide whether or not a person elected to the Management Board after the annual grant date (which date will be within 15 business days after the announcement of the Company’s annual results) shall be eligible to participate in the LTIP. The Supervisory Board, at its sole discretion, may also decide to grant additional conditional performance shares upon the promotion of a member of the Management Board to the position of Chief Executive Officer of the Management Board.

The conditional performance shares may vest and be delivered to a member of the Management Board after the end of the performance period (i.e. a period of three years that starts on January 1 of the year in which the conditional performance shares are granted) on the vesting date (which date will be within 15 business days immediately following the announcement of the Company’s annual results), provided that the member of the Management Board is still employed by us and subject to achievement of certain performance conditions as determined by the Supervisory Board. In such event, however, the conditional performance shares still need to be retained by the member of the Management Board for another year as a result of a lock-up, except to the extent necessary to settle any tax obligations resulting from the LTIP. The member of the Management Board is not entitled to vote, to receive dividends or to have any other rights of a Shareholder until the Ordinary Shares are acquired by him/her after the vesting date.

The Supervisory Board may decide not to procure the issue or transfer of Ordinary Shares, but instead to pay the cash equivalent of these Ordinary Shares on the basis of the fair market value (as defined under the LTIP) of such Ordinary Share on the vesting date.

The target number of conditional performance shares granted shall be based on percentages of the base salary, which will be determined at a range between the median and the 75<sup>th</sup> percentile of salary levels payable within a peer group of comparable national and international companies relevant to the Company, which can be extended to 120% of these levels. The number of conditional performance shares vesting after three years may vary between 0% and 150% of the target number of conditional performance shares granted to the member of the Management Board, depending on the extent to which the performance conditions have been met.

If in the opinion of the Supervisory Board the vesting of the conditional performance shares would produce an unfair result due to extraordinary circumstances during the performance period, the Supervisory Board may adjust the amount of conditional performance shares that would have vested downwards or upwards. Furthermore, the Supervisory Board has the authority to deviate from the policies as described in case it considers it necessary or desirable to do so in specific cases in order to attract and reward the most qualified members for the Management Board.

The Supervisory Board may recover from a member of the Management Board the value of any Ordinary Shares transferred to him/her upon vesting on the basis of incorrect financial or other data, which are materially incorrect, if such incorrectness is mainly attributable to acts or omissions of the member of the Management Board (e.g. if such incorrectness results from fraud or gross negligence). The Supervisory Board is authorized to amend the claw back provisions in case new legislation regarding adjustment or claw back of variable remuneration has been adopted.

The LTIP is expected to be adopted by the General Meeting after the Restructuring prior to the closing of the Offering.

### *Pension and Fringe Benefits*

The members of the Management Board shall continue to participate in a third party pension insurance organization. See also “—Employees and Pension Obligations” below. The members of the Management Board are entitled to customary fringe benefits, such as a company car.

### *Severance Arrangements*

Contractual severance arrangements of the members of the Management Board are compliant with the Dutch Corporate Governance Code, except for the severance arrangements for Mr. Dijkhuizen based on

his employment agreement. For a more detailed description of the severance arrangements, see “—Employment Agreements and Severance Agreements”.

#### *Management Board Remuneration during the year ended December 31, 2011*

The table below shows the remuneration received by the members of the Management Board during the year ended December 31, 2011.

|   | <u>Base salary</u> | <u>Cash bonus<sup>(1)</sup></u> | <u>Pension contributions</u> | <u>Social security costs</u> | <u>Total</u>      |
|---|--------------------|---------------------------------|------------------------------|------------------------------|-------------------|
| Bernard Dijkhuizen . . . . .              | €508,516           | €336,000                        | €81,547                      | €4,684                       | €930,747          |
| Bert Groenewegen <sup>(2)</sup> . . . . . | €381,627           | €180,000                        | €60,707                      | €7,434                       | €629,768          |
| Marcel Nijhoff . . . . .                  | €355,191           | €201,000                        | €56,366                      | €7,434                       | €619,991          |
| Paul Hendriks . . . . .                   | €318,182           | €180,000                        | €46,814                      | €7,434                       | €552,430          |
| <b>Total . . . . .</b>                    | <b>€1,563,516</b>  | <b>€897,000</b>                 | <b>€245,434</b>              | <b>€26,987</b>               | <b>€2,732,936</b> |

(1) The cash bonus consists of the regular bonus of 70% (for Mr. Dijkhuizen) and 60% (for Messrs Groenewegen, Nijhoff and Hendriks).

(2) Mr. Groenewegen is a member of the management board of Zesko Holding B.V. since March 1, 2010.

In connection with and prior to the closing of the Offering, the remuneration of the members of the Management Board (with retroactive effect as from January 1, 2012) is expected to change and be set in accordance with the remuneration policy as described above.

#### *Supervisory Board Remuneration*

##### *Supervisory Board Remuneration during the year ended December 31, 2011*

The table below shows the remuneration received by the members of the Supervisory Board during the year ended December 31, 2011.

|                                 | <u>Remuneration</u> | <u>Total</u>    |
|---------------------------------|---------------------|-----------------|
| Andrew Sukawaty . . . . .       | €290,000            | €290,000        |
| Dirk-Jan van den Berg . . . . . | €50,000             | €50,000         |
| Anne Willem Kist . . . . .      | €50,000             | €50,000         |
| Others . . . . .                | —                   | —               |
| <b>Total . . . . .</b>          | <b>€390,000</b>     | <b>€390,000</b> |

In connection with and prior to the closing of the Offering, the remuneration of the members of the Supervisory Board (for the remainder of the year 2012 and further) is expected to change and be set by the General Meeting at the proposal of the Supervisory Board.

Mr. Sukawaty has agreed to waive his entitlement post-Offering to a part of his annual cash remuneration and to all of his annual equity remuneration. The cash remuneration for Mr. Sukawaty for his engagement as Chairman of the Supervisory Board will be €290,000 in 2012, €190,000 in 2013 and €90,000 in 2014 and as compensation for his waiver Mr. Sukawaty will receive from the Company prior to the closing of the Offering a gross amount of €300,000. As compensation for waiving his annual equity remuneration post-Offering, Mr. Sukawaty will receive from the Company prior to the closing of the Offering a gross amount of €1,100,000. Mr. Sukawaty has committed to invest the latter amount on an after tax basis prior to the Restructuring in shares (in the form of depository interests issued by Stichting Even Investments (Strip)) in Even Investments 2 S.à r.l. and other equity securities in Even Investments S.à r.l. that will be delivered to him in the form of Ordinary Shares upon the Restructuring. This investment has been reflected in the tables on pages 125 and 128. For these Ordinary Shares a lock-up period of two years will apply and the aforementioned compensation amounts are subject to a pro rata claw back if Mr. Sukawaty would cease to be Chairman of the Supervisory Board before the end of his current term.

#### **Shareholdings**

The number of shares (in the form of depository interests issued by each of Stichting Even Investments (Strip) and Stichting Even Investments (Sweet Equity)) in Even Investments 2 S.à r.l. and other equity securities in Even Investments S.à r.l. that are (indirectly) being held by members of the Management

Board and Supervisory Board and the contribution paid therefor by each of them are presented in the table below. See “Certain Relationships and Related Party Transactions—Selling Shareholders—Holdings Prior to the Restructuring”.

|                              | Number of<br>depository<br>interests for<br>shares | Number of<br>other equity<br>securities | Total price<br>paid<br>(€) |
|------------------------------|--|---|----------------------------|
| Bernard Dijkhuizen . . . . . | 17,722   | 5,878                                   | 590,000                    |
| Paul Hendriks . . . . .      | 11,420   | —                                       | 285,500                    |
| Bert Groenewegen . . . . .   | 11,420   | —                                       | 285,500                    |
| Marcel Nijhoff . . . . .     | 12,648   | 47,185                                  | 1,495,825                  |
| Andrew Sukawaty . . . . .    | 15,581   | 92,387                                  | 2,699,200                  |
| <b>Total</b> . . . . .       | <b>68,791</b>                                      | <b>145,450</b>                          | <b>5,356,025</b>           |

The (direct and/or indirect through Even Participation Coöperatie U.A.) shareholdings of the members of the Management Board and the Supervisory Board in the Company as they will be after the implementation of the Restructuring prior to the closing of the Offering are presented in the table below<sup>(1)(2)</sup>.

|                              | Number of<br>Ordinary<br>Shares |
|------------------------------|---------------------------------|
| Bernard Dijkhuizen . . . . . | 721,013                         |
| Paul Hendriks . . . . .      | 456,673                         |
| Bert Groenewegen . . . . .   | 456,641                         |
| Marcel Nijhoff . . . . .     | 604,534                         |
| Andrew Sukawaty . . . . .    | 856,632                         |
| <b>Total</b> . . . . .       | <b>3,095,493</b>                |

(1) As the Restructuring will be carried out based on the Offer Price and number of Offer Shares as finally determined and based on the actual date on which the Offer Price is established, which factors are not yet known on the date of this Prospectus, this table assumes (i) an Offer Price at the mid-point of the Offer Price Range, which is an indicative price range, (ii) the number of Offer Shares to be 35,000,000 and (iii) the date on which the Offer Price is established to be March 20, 2012.

(2) In connection with the existing management participation structure and the Offering, Cinven Cable Investments S.à r.l. and WP Holdings IV B.V. have granted, for a nominal consideration, to the members of our Management Board, Mr. Sukawaty and certain of our employees shares (in the form of depository interests issued by Stichting Even Investments (Strip)) in Even Investments 2 S.à r.l. and other equity securities in Even Investments S.à r.l., valued at €20 million (on a gross basis for the persons concerned), which will be delivered to such persons in the form of Ordinary Shares upon the Restructuring. This transfer has been reflected in the Ownership Table on page 128 and in the two tables immediately above and the interests held by such persons will be subject to lock-up arrangements on substantially the same terms as discussed in “Plan of Distribution—Lock-up Arrangements”. In accordance with IFRS2, the Company will recognize this grant as an equity settled share-based payment transaction. This transaction will not affect the Company’s cash flow, and the costs to be recorded will be excluded from adjusted net income.

### Employees and Pension Obligations

Excluding external and temporary employees, we employed 2,376 FTEs as at December 31, 2011 (2010: 2,203; 2009: 2,257). During 2011, 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, 2011 to April 1, 2012 and applies to approximately 95% of our employees (including non-union employees). It provides, amongst others, for an annual salary increase of 1.5%, a one-off payment in January 2012 of 0.5% of the salary and a structural increase of the Company’s results-related bonus of 2.5 to 3.0% for these employees.

As at December 31, 2011, substantially all of our employees were covered by a pension program. We cooperate with three third party pension insurance organizations. Under these programs, we have no obligation for pension plan deficits other than higher future pension insurance premiums. However, our exemption from compulsory participation in one of these organizations in the future may result in additional payments to the organization we have to leave, which may involve amounts of approximately €3.3 million.

We enjoy normal relationships with our employees and have not experienced any labor related work stoppages during 2012 or the three years ended December 31, 2011.

A works council has been established at the level of Ziggo B.V., which also advises on Group matters. A works council is an internal employee representative body which has statutory information and consultation rights with regard to certain decisions of the company. Our works council currently consists of seventeen members, which are elected by the employees of the company. Our works council meets once a month with the management of the company to discuss the ongoing business and social affairs within the company.

Our works council has been consulted on the Offering and the consultation process has been completed with a positive advice from the works council.

### **Employment Agreements and Severance Agreements**

Set out below is a summary of termination provisions included in the new employment agreements of the members of our Management Board which are subject to the condition precedent of closing of the Offering. The members of the Management Board shall continue to be employed by the Company for an indefinite period of time. Unless otherwise terminated, the employment agreements of the members of the Management Board shall in any event end in the month in which they reach the age of 65 or the relevant pensionable age under the applicable pension plan to the extent this leads to a different retirement age. Mr. Dijkhuizen will retire in January, 2014. Following the Offering, the appointment of the members of the Management Board as managing director shall be effective for an initial period of four years and may be renewed for a further period of four years.

The employment agreements can be terminated by the Company on six months' prior notice or by the member of the Management Board on three months' prior notice. In the event of a termination of his/her employment agreement, the relevant member of the Management Board is subject to a non-competition and non-solicitation clause applicable for a period of twelve months after the date of termination. However, in case the termination has occurred as a result of a change of control over the Company this period shall be limited to six months after the date of termination.

The employment agreements of Mr. Hendriks, Mr. Groenewegen and Mr. Nijhoff contain a contractual severance arrangement, which in summary entails that if the employment agreement is terminated by the Company or by a court at the Company's request for a reason that is not mainly or solely attributable to acts or omissions of the relevant member of the Management Board, he will be entitled to one annual base salary. Based on the employment agreement of Mr. Dijkhuizen, which terminates on January 1, 2014 in light of the fact that Mr. Dijkhuizen reaches the pensionable age on January 19, 2014, the following contractual severance arrangement shall apply if his employment agreement is terminated at the Company's initiative for a reason that is not mainly or solely attributable to acts or omissions of Mr. Dijkhuizen and as a result ends prior to January 1, 2014. The basic assumption in that case is that Mr. Dijkhuizen's severance arrangement shall then be based on the neutral Cantonal Court Formula (*kantonrechttersformule*) (as currently applicable). In this context, one annual base salary increased with the average amount of the short term annual cash incentive awarded over the two years prior to the termination date of the employment agreement, shall serve as a minimum severance amount.

The severance payment is conditional upon the member of the Management Board having no other job or paid work elsewhere whatsoever nor any prospects of this on the date on which the employment agreement has ended.

### **Insurance for the Members of our Supervisory Board and Management Board**

We provide members of our Management Board, our Supervisory Board and other senior management with protection through a directors' and officers' insurance policy. Under this policy, any of our past, present or future directors or officers will be insured against any claim made against any one of them for any wrongful act in their respective capacities as directors or officers, except for and to the extent that they are separately indemnified by us. The policy also covers the losses arising from any such indemnified claim, but only when and to the extent we are legally required or permitted to indemnify the directors or officers for such loss.



## CERTAIN RELATIONSHIPS AND RELATED PARTY TRANSACTIONS

### Selling Shareholders

#### *Holdings Prior to the Restructuring*

At the date of this Prospectus, the Company is wholly owned by Zesko Holding B.V., which is in turn wholly owned by Even Investments 2 S.à r.l.

Even Investments 2 S.à r.l. is owned by three shareholders that together hold 100% of the issued share capital in the following proportions (subject to rounding): (i) Even Investments S.à r.l. holds 92.73%, (ii) Stichting Even Investments (Strip) holds 1.15% and (iii) Stichting Even Investments (Sweet Equity) holds 6.13%.

The depository interests for shares in Even Investments 2 S.à r.l. issued by Stichting Even Investments (Strip) are ultimately held by the Cinven Funds, the Warburg Pincus Funds and certain present or former management board and/or supervisory board members and other individuals (including employees). The depository interests for shares in Even Investments 2 S.à r.l. issued by Stichting Even Investments (Sweet Equity) are ultimately held by certain present or former management board and/or supervisory board members and other individuals (including employees) and directly by Even Participation Coöperatie U.A.

Even Investments S.à r.l. is in turn owned by multiple shareholders that together hold 100% of the issued share capital in the following proportions (subject to rounding): (i) the Cinven Funds together hold 37.303%, (ii) the Warburg Pincus Funds together hold 37.303%, (iii) Dutch Cable Limited Partnership (a vehicle through which various co-investors hold indirect interests of the issued share capital as limited partners) holds 19.354% and (iv) various direct co-investors together directly hold 6.039%. No co-investor (whether directly or through Dutch Cable Limited Partnership) holds an (indirect) interest in the Company of 5% or more.

#### *Restructuring*

Shortly after pricing, which is expected to take place on March 20, 2012, and prior to the closing of the Offering, a restructuring is expected to take place following which each of the Selling Shareholders will directly hold Ordinary Shares in the capital of the Company in the proportions as set out in the table below (the “Restructuring”). The Restructuring will consist of a series of liquidations, contributions, transfers, a merger and various other steps as summarized below. After the Restructuring the Cinven Funds will hold their interest in the Company through Cinven Cable Investments S.à r.l. and the Warburg Pincus Funds will hold their interest in the Company through WP Holdings IV B.V.

For an overview of our structure at the date of this Prospectus as well as after the implementation of the Restructuring prior to the closing of the Offering, see “General Information—Organizational Structure and Significant Subsidiaries”.

In order to get to the structure after the implementation of the Restructuring prior to the closing, various steps will be taken that can be summarized as follows:

- Even Investments 2 S.à r.l. will become a wholly owned subsidiary of Even Investments S.à r.l. and the holders of depository interests in Even Investments 2 S.à r.l. will become shareholders of Even Investments S.à r.l., following which the depository interest structure of Even Investments 2 S.à r.l. will be terminated;
- Stichting Even Investments (Strip) and Stichting Even Investments (Sweet Equity) will be liquidated;
- The shareholding structure of Even Investments S.à r.l. will be restructured in such a way that the Cinven Funds will hold their interest through Cinven Cable Investments S.à r.l. and the Warburg Pincus Funds will hold their interest through WP Holdings IV B.V.;
- Even Investments 2 S.à r.l., which has provided four interest-bearing loans and one non-interest-bearing loan to Zesko B.V., will contribute these loans to Zesko Holding B.V. Consequently, Zesko B.V. will issue shares to Zesko Holding B.V. up to an amount equal to the accrued interest on those loans, after which Zesko Holding B.V. will contribute all of its assets (including the loans but excluding the shares it holds in Zesko B.V. and the Company) and liabilities to Zesko B.V. as share premium and, as a result, the loans will be cancelled. See “Selected Financial and Operating Information—Selected Financial Information—Pro Forma Financial Information”;

- Zesko B.V. will contribute all of its assets (excluding the shares it holds in Ziggo Bond Company Holding B.V.) and liabilities to Ziggo Bond Company Holding B.V. as share premium;
- Zesko Holding B.V. will contribute Zesko B.V. to the Company against the issue of shares and as share premium;
- Zesko B.V. will contribute Ziggo Bond Company Holding B.V. to Zesko Beheer B.V. against the issue of shares and as share premium;
- Zesko Beheer B.V. will be merged into Ziggo Bond Company Holding B.V.;
- Zesko Holding B.V. will be dissolved and the Ordinary Shares it holds in the Company will be distributed to Even Investments 2 S.à r.l. by way of a pre-liquidation distribution;
- Even Investments 2 S.à r.l. will be dissolved and the Ordinary Shares it holds in the Company will be transferred to Even Investments S.à r.l. as an advance of the liquidation proceeds;
- Even Investments S.à r.l. will be dissolved and the Ordinary Shares it holds in the Company will be transferred to its shareholders as an advance of the liquidation proceeds; and
- the Company will contribute its shareholding in Ziggo Bond Company Holding B.V. to Zesko B.V. so that Zesko B.V. becomes the sole shareholder of Ziggo Bond Company Holding B.V.

Shortly after the closing of the Offering Even Participation Coöperatie U.A. will be liquidated. Further, most of the co-investors that will, following the Restructuring, hold their interest in the Company indirectly through Dutch Cable Limited Partnership will, shortly after the closing of the Offering, start holding their interest in the Company directly, whereas a limited number of such co-investors will remain indirectly invested in the Company through Dutch Cable Limited Partnership.

#### *Holdings Immediately Prior to and After the Offering*

The following table presents information about the ownership of our Ordinary Shares immediately prior to the closing of the Offering and following the Restructuring, as well as immediately after the closing of the Offering:

Ownership Table<sup>(1)</sup>

|   | Ordinary Shares owned prior to the closing of the Offering, following the Restructuring |            | Ordinary Shares to be sold in the Offering    |   | Ordinary Shares owned immediately after the Offering |            |   |            |
|---|---|------------|---|---|--|------------|---|------------|
|   |   |            | Without exercise of the Over-allotment Option | With full exercise of the Over-allotment Option | Without exercise of the Over-allotment Option        |            | With full exercise of the Over-allotment Option |            |
|   | Total   | %          |   |   | Total  | %          | Total   | %          |
| Cinven Cable Investments S.à r.l. <sup>(2)</sup>                  | 72,761,462  | 36.4       | 12,617,010                                    | 14,567,685                                      | 60,144,452   | 30.1       | 58,193,777                                      | 29.1       |
| WP Holdings IV B.V. <sup>(3)</sup>                                | 72,761,462  | 36.4       | 12,617,010                                    | 14,567,685                                      | 60,144,452   | 30.1       | 58,193,777                                      | 29.1       |
| Dutch Cable Limited Partnership <sup>(4)</sup>                    | 37,566,959  | 18.8       | 6,514,197                                     | 7,521,335                                       | 31,052,762   | 15.5       | 30,045,624                                      | 15.0       |
| Direct co-investors <sup>(5)</sup>                                | 11,723,641  | 5.9        | 2,032,909                                     | 2,347,210                                       | 9,690,732  | 4.8        | 9,376,431                                       | 4.7        |
| Even Participation Coöperatie U.A. and its members <sup>(6)</sup> | 4,171,511   | 2.1        | 1,042,877                                     | 1,042,877                                       | 3,128,634  | 1.6        | 3,128,634                                       | 1.6        |
| Strip managers <sup>(7)</sup>                                     | 1,014,965   | 0.5        | 175,997                                       | 203,208   | 838,968  | 0.4        | 811,757   | 0.4        |
| New public investors  | n/a   | n/a        | n/a   | n/a   | 35,000,000   | 17.5       | 40,250,000                                      | 20.1       |
| <b>Total</b>  | <b>200,000,000</b>  | <b>100</b> | <b>35,000,000</b>                             | <b>40,250,000</b>                               | <b>200,000,000</b>                                   | <b>100</b> | <b>200,000,000</b>                              | <b>100</b> |

(1) As the Restructuring will be carried out based on the Offer Price and number of Offer Shares as finally determined and based on the actual date on which the Offer Price is established, which factors are not yet known on the date of this Prospectus, this table assumes (i) an Offer Price at the mid-point of the Offer Price Range, which is an indicative price range, (ii) the number of Offer Shares to be 35,000,000 and (iii) the date on which the Offer Price is established to be March 20, 2012.

(2) Cinven Cable Investments S.à r.l. is the vehicle through which the Cinven Funds will hold their interest in the Company.

(3) WP Holdings IV B.V. is the vehicle through which the Warburg Pincus Funds will hold their interest in the Company.

(4) Dutch Cable Limited Partnership is the vehicle through which various co-investors will indirectly hold their interest in the Company (immediately prior to the closing of the Offering and following the Restructuring as well as immediately after the closing of the Offering); such co-investors are the limited partners of Dutch Cable Limited Partnership.

(5) The direct co-investors consist of the Selling Shareholders as set out in “Selling Shareholders”, excluding Cinven Cable Investments S.à r.l., WP Holdings IV B.V., Dutch Cable Limited Partnership and the Management Selling Shareholders.

- (6) Even Participation Coöperatie U.A. is the vehicle through which a number of management board and supervisory board members and other individuals (including employees) will indirectly hold their interest in the Company (immediately prior to the closing of the Offering and following the Restructuring as well as immediately after the closing of the Offering). Certain of these persons are holding a number of Ordinary Shares directly, which Ordinary Shares are not part of the Offering. Interests held by such management board and supervisory board members and other individuals (including employees) will be subject to lock-up arrangements on substantially the same terms as discussed in “Plan of Distribution—Lock-up Arrangements”.
- (7) The strip managers consist of Walter Blom, Bernard Dijkhuizen, Wim Dik, Ritzo Holtman, Marcel Nijhoff and Andrew Sukawaty.

## **Related Party Transactions**

### ***The Creation of the Ziggo Group***

On December 12, 2005, a fund managed and/or advised by Warburg Pincus LLC indirectly acquired the Multikabel Business.

In the year thereafter, on September 13, 2006, Even Investments S.à r.l. indirectly acquired the Casema Business. As part of this transaction, Even Investments S.à r.l. was incorporated and a subscription agreement relating to investments in Even Investments S.à r.l. was entered into pursuant to which (i) certain funds managed and/or advised by Cinven Limited and certain funds managed and/or advised by Warburg Pincus LLC subscribed for shares and other equity securities in Even Investments S.à r.l. and (ii) Even Investments S.à r.l. used the monies received by it pursuant to such subscriptions to (partly) finance the acquisition of the Casema Business. Also as part of this transaction, the entire issued share capital of the holding company of the Multikabel Business was indirectly transferred by a fund managed and/or advised by Warburg Pincus LLC to Even Investments S.à r.l. against the issue of further shares and other equity securities in Even Investments S.à r.l.

On December 28, 2006, an amended and restated shareholders agreement relating to Even Investments S.à r.l. was entered into pursuant to which certain co-investors (as included in the list in the section entitled “Selling Shareholders” of this Prospectus) acquired, conditional on completion of the acquisition of the @Home Business, shares and other equity securities in Even Investments S.à r.l. Pursuant to this agreement, the Ziggo Group pays annual monitoring fees of €250,000 per annum to affiliates of each of Cinven Limited and Warburg Pincus LLC.

On January 31, 2007, Even Investments S.à r.l. indirectly acquired the @Home Business.

Upon completion of the January 31, 2007 acquisition, the Ziggo Group was established whereby the group went by the name Zesko in the period from February 2007 through May 2008. On May 15, 2008, Casema Holding B.V. and @Home B.V. merged into Multikabel B.V., which merger came into effect on May 16, 2008, and Multikabel B.V. consequently changed its name to Ziggo B.V.

On June 8, 2007, following the acquisition of the Multikabel Business, the Casema Business and the @Home Business, a transfer and shareholders’ agreement (strip) relating to Even Investments 2 S.à r.l. was entered into pursuant to which a number of management board and supervisory board members and other individuals (including employees) acquired depository interests for shares in Even Investments 2 S.à r.l. and other equity securities in Even Investments S.à r.l.

Moreover, on June 8, 2007, a transfer and shareholders’ agreement (sweet) relating to Even Investments 2 S.à r.l. was entered into, as amended and restated on October 29, 2009, pursuant to which a number of management board and supervisory board members and other individuals (including employees) (indirectly) acquired depository interests for shares in Even Investments 2 S.à r.l.

The aforementioned shareholders’ agreements dated December 28, 2006 (including the annual monitoring fees payable thereunder) and June 8, 2007 will terminate as part of and effective upon the Restructuring taking place.

### ***Relationship Agreement***

On March 9, 2012, the Company, Cinven Cable Investments S.à r.l. and WP Holdings IV B.V. will enter into a relationship agreement. The relationship agreement contains certain arrangements regarding the relationship between the aforementioned parties and their respective groups after admission. The full text of the relationship agreement is available on the Company’s website: [www.ziggo.com](http://www.ziggo.com). Below is a summary of the main elements of the relationship agreement.

### *Transactions between the Company, Cinven and Warburg Pincus*

Each of Cinven Cable Investments S.à r.l. and WP Holdings IV B.V. has agreed that it shall (and undertakes to use its reasonable efforts to procure that each member of the Cinven Group (as defined under the relationship agreement), respectively the Warburg Pincus Group (as defined under the relationship agreement) will): (i) conduct transactions and relationships with any member of the Ziggo Group, and ensure that agreements or arrangements between a member of the Cinven Group or the Warburg Pincus Group and a member of the Ziggo Group are entered into, on arm's length terms and on a normal commercial basis, (ii) exercise its reasonable powers to procure that each member of the Ziggo Group is capable of carrying on its business independently of Cinven Cable Investments S.à r.l. or the Cinven Group or WP Holdings IV B.V. or the Warburg Pincus Group, (iii) not take (or omit to take) any action to prejudice the Company's listing after admission has occurred (provided that this shall not prevent any member of the Cinven Group and/or Warburg Pincus Group from conducting certain activities as described in the relationship agreement) and (iv) not exercise any of its voting or other rights and powers to procure any amendment to the Articles of Association which would be inconsistent with any of the provisions of the relationship agreement.

### *Corporate Governance*

Cinven Cable Investments S.à r.l. and WP Holdings IV B.V. have agreed that, to the extent permitted by law and so far as they are able, they shall not take any action (and procure that each other member of the Cinven Group and the Warburg Pincus Group does not take any action) that would prevent the Company from complying with the provisions of the Dutch Corporate Governance Code, notwithstanding the possibility, in accordance with the apply or explain principle of the Dutch Corporate Governance Code, to deviate from the best practice provisions of the latter code when necessary in order to comply with the terms of the relationship agreement and in each case save as disclosed in the Prospectus and/or the Company's annual report, and without prejudice to take any action that Cinven Cable Investments S.à r.l. and WP Holdings IV B.V. are permitted to take under applicable laws and regulations, including the Euronext Rules, the Dutch Civil Code and the Dutch Financial Supervision Act, provided that such actions are not in breach of the relationship agreement. See also "Description of Share Capital and Corporate Governance—Dutch Corporate Governance Code".

### *Information Sharing*

The Company has agreed to share financial and other information with Cinven Cable Investments S.à r.l. and WP Holdings IV B.V. or any member of the Cinven Group, respectively the Warburg Pincus Group, to the extent reasonably required by each of the aforementioned to comply with its or their financial and regulatory obligations and with a view to their rights and obligations under the relationship agreement. The relationship agreement contains provisions to the effect that each of Cinven Cable Investments S.à r.l. and WP Holdings IV B.V. are obliged to treat all information provided to it or to members of the Cinven Group, respectively the Warburg Pincus Group as confidential, and to comply with all applicable rules and regulations in relation to the use and disclosure of such information.

### *Full Large Company Regime*

The Company, Cinven Cable Investments S.à r.l. and WP Holdings IV B.V. have agreed that the Company will apply the Dutch full large company regime (*volledig structuurregime*). There shall be no deviations from the mechanism for the appointment of the Supervisory Board as provided in the Dutch Civil Code, except that as at admission, both Cinven Cable Investments S.à r.l. and WP Holdings IV B.V. will have special designation rights in respect of the Supervisory Board members as set forth below.

### *Composition of the Supervisory Board*

After the Restructuring prior to the closing of the Offering, the Supervisory Board shall consist of eight members. In addition, the Company intends to have an additional independent member of the Supervisory Board appointed prior to, or as soon as possible after, the closing of the Offering, upon which appointment the Supervisory Board shall consist of nine members. The Company, Cinven Cable Investments S.à r.l. and WP Holdings IV B.V. have agreed that (i) at least half of the Supervisory Board shall at all times consist of independent Supervisory Board members, (ii) the chairman of the Supervisory Board shall at all times be a member who qualifies as independent and (iii) for as long as Cinven Cable Investments S.à r.l. and WP Holdings IV B.V. together hold more than 20% of the Ordinary Shares, the Company shall procure

that the members of the Supervisory Board shall only appoint someone from their midst as chairman of the Supervisory Board after prior consultation with the Supervisory Board member(s) nominated by Cinven Cable Investments S.à r.l. and WP Holdings IV B.V.

Following admission of the Ordinary Shares to listing and trading on Euronext Amsterdam, each of Cinven Cable Investments S.à r.l. and WP Holdings IV B.V. will have the right to designate two individuals for nomination by the Supervisory Board as replacements for the members of the Supervisory Board appointed by the General Meeting per their designation as Cinven Supervisory Board member or Warburg Pincus Supervisory Board member, as the case may be. These individuals will need to meet the profile of the members of the Supervisory Board and will not need to be independent within the meaning of the Dutch Corporate Governance Code. If the percentage of Ordinary Shares held (directly or indirectly) by the Cinven Group or the Warburg Pincus Group, as the case may be, falls below 20%, Cinven Cable Investments S.à r.l. or WP Holdings IV B.V., as the case may be, will have the right to designate one individual for nomination by the Supervisory Board as member of the Supervisory Board. If the percentage of Ordinary Shares held (directly or indirectly) by the Cinven Group or the Warburg Pincus Group, as the case may be, falls below 10%, Cinven Cable Investments S.à r.l. or WP Holdings IV B.V., as the case may be, shall no longer have special rights relating to the designation of individuals for nomination by the Supervisory Board as members of the Supervisory Board.

Upon the (direct or indirect) shareholding of the Cinven Group or the Warburg Pincus Group, as the case may be, falling below one of the above thresholds, each of Cinven Cable Investments S.à r.l. or WP Holdings IV B.V., as the case may be, shall notify the chairman of the Supervisory Board of the occurrence of such event and upon first request by the Company procure the resignation of the relevant Supervisory Board members nominated by Cinven Cable Investments S.à r.l. or WP Holdings IV B.V., as the case may be. The aforementioned nomination rights of Cinven Cable Investments S.à r.l. and WP Holdings IV B.V. shall not revive in the event that their respective shareholdings would fall below the above thresholds and subsequently exceed those threshold(s) again.

Upon appointment, each Supervisory Board member will sign a deed of adherence in which he/she confirms and declares to the Company, Cinven Cable Investments S.à r.l. and WP Holdings IV B.V. that he/she (i) undertakes to be bound by the relationship agreement in all respects as if he/she was a party thereto and will observe and perform all the provisions and obligations applicable to or binding on a Supervisory Board member thereunder, (ii) undertakes to comply with the regulations of the Supervisory Board and the Supervisory Board committees and (iii) is aware of the duties of a member of the supervisory board of a Dutch public company with limited liability (*naamloze vennootschap*), as set out in the Dutch Civil Code.

#### *Composition of the Supervisory Board committees*

The Company, Cinven Cable Investments S.à r.l. and WP Holdings IV B.V. have agreed to procure, so far as reasonably possible, that at all times the Audit Committee and the Selection, Appointment and Remuneration Committee will each consist of four members, two of whom, including the chairman of each committee, shall be independent Supervisory Board members, one shall be a Supervisory Board member nominated by Cinven Cable Investments S.à r.l. and one shall be a Supervisory Board member nominated by WP Holdings IV B.V., and the chairman of the Supervisory Board shall not act as chairman of the Audit Committee. In addition, it has been agreed that at least half of the members of any other committee of the Supervisory Board to which significant powers, authorities or discretions are delegated will be independent Supervisory Board members.

#### *Fully Marketed Offerings*

Cinven Cable Investments S.à r.l. or WP Holdings IV B.V. may require the Company to provide reasonable assistance in connection with a fully marketed offering (as defined under the relationship agreement) of (part of) their shares. In connection with such fully marketed offering, Cinven Cable Investments S.à r.l. and WP Holdings IV B.V. may nominate one or more bookrunners and the Company may require Cinven Cable Investments S.à r.l. and/or WP Holdings IV B.V. to appoint an additional bookrunner. Cinven Cable Investments S.à r.l. and WP Holdings IV B.V. may only require the Company to assist in one fully marketed offering per year, provided, however, that if for whatever reason either Cinven Cable Investments S.à r.l. or WP Holdings IV B.V. elects not to participate in a fully marketed offering for which one of them (the Participating Investor as defined under the relationship agreement) requested the Company in a certain year to provide assistance, the other shall be entitled to request the Company, in the



same year as the first request for assistance was made by the Participating Investor, to provide assistance with a second fully marketed offering (but not more than once and notwithstanding the possibility that the Participating Investor may also participate in such second fully marketed offering), and furthermore provided that at all times there shall be at least four months between the first and second request for assistance from the Company with a fully marketed offering.

#### *Dividend Policy/Articles of Association*

The Company undertakes to use its reasonable efforts to procure that the Management Board will only apply the dividend policy attached to the relationship agreement, unless a differentiation from such dividend policy is approved by the Supervisory Board. For a description of this dividend policy, see “Dividend Policy”. In addition, the Company will use its reasonable efforts to procure that the Management Board shall only propose amendments to the Articles of Association that do not contravene with the provisions of the relationship agreement. For a description of the Articles of Association, see “Description of Share Capital and Corporate Governance—Articles of Association”.

#### *Management Board Proposal Subjects*

The Supervisory Board shall have the right to request the Management Board, after prior consultation and having due regard to the corporate interest (*vernootschappelijk belang*) of the Company, to put a proposal relating to certain subjects (as specified in the relationship agreement) on the agenda of a General Meeting. The Company has agreed to procure that the aforementioned right of the Supervisory Board will be laid down in the regulations of the Management Board.

#### *Termination*

Except for certain specific provisions, the relationship agreement shall terminate with immediate effect upon the earlier of (i) the shares of the Company ceasing to be listed and traded on Euronext Amsterdam, (ii) the Cinven Group individually ceasing to own or control (directly or indirectly) 10% or more of the Ordinary Shares (in which case the relationship agreement will terminate in respect of Cinven Cable Investments S.à r.l.) or (iii) the Warburg Pincus Group individually ceasing to own or control (directly or indirectly) 10% or more of the Ordinary Shares (in which case the relationship agreement will terminate in respect of WP Holdings IV B.V.).

#### *Governing Law*

The relationship agreement is governed by Dutch law and any disputes arising from the relationship agreement will be settled exclusively before the competent courts in Amsterdam, the Netherlands.

#### *Co-investor Agreements*

Each of Cinven Cable Investments S.à r.l. and WP Holdings IV B.V. has entered into separate co-investor agreements, on similar terms, with their respective co-investors.

The co-investor agreements provide for orderly market arrangements in respect of the Ordinary Shares as will be held by each of Cinven Cable Investments S.à r.l., WP Holdings IV B.V. and their respective co-investors prior to the closing of the Offering, and are effective as of the date on which they were entered into, provided, however, that if for any reason the Offering is not consummated by December 31, 2012 the co-investor agreements shall automatically terminate on that date.

Any Ordinary Shares acquired by Cinven Cable Investments S.à r.l., WP Holdings IV B.V. and their respective co-investors after the closing of the Offering will not be subject to the terms of the co-investor agreements.

#### *Sell-Down Account*

Pursuant to the co-investor agreements, each of the co-investors shall, after the implementation of the Restructuring, hold its Ordinary Shares in a so-called sell-down account in its own name, except for the limited number of co-investors that will remain indirectly invested in the Company through Dutch Cable Limited Partnership, where the Ordinary Shares will be held by and in a sell-down account in the name of Dutch Cable Limited Partnership. However, during the term of the co-investor agreements each of Cinven Cable Investments S.à r.l. and WP Holdings IV B.V. will have the authority to, on behalf of their respective co-investors, sell Ordinary Shares from such sell-down accounts in accordance with the terms of the

co-investor agreements; during such period, the co-investors will not be able to independently sell Ordinary Shares from their sell-down accounts, although the co-investors (i) will maintain full discretion as to the exercise of the voting rights and pre-emptive rights attached to the Ordinary Shares held in their sell-down accounts, (ii) will be able to freely dispose of cash in their sell-down accounts and (iii) may freely purchase and sell Ordinary Shares not held in their sell-down accounts.

#### *Orderly Market Arrangements*

If during the term of the co-investor agreements either Cinven Cable Investments S.à r.l. or WP Holdings IV B.V. sells and transfers Ordinary Shares to a third party (either pursuant to its tag along right, see “—Shareholders’ Agreement—Transfer Restrictions and Tag Along Procedures” below, or otherwise), it shall, at the same time and for the same consideration and subject to the same conditions, also sell and transfer to such third party a pro rata number of Ordinary Shares from the sell-down accounts of its respective co-investors. In relation to such sale and transfer each of Cinven Cable Investments S.à r.l. and WP Holdings IV B.V. is entitled to withhold from the sale proceeds on a pro rata basis reasonably incurred costs.

#### *Distributions in Kind*

Each of Cinven Cable Investments S.à r.l. and WP Holdings IV B.V. shall be permitted to distribute Ordinary Shares as a distribution in kind to its ultimate beneficiaries. If and to the extent that Cinven Cable Investments S.à r.l. or WP Holdings IV B.V. does so, their respective co-investors will be released from the automatic sell-down arrangements (as set out in the preceding paragraph) on a pro rata basis.

#### *No Concert, No Partnership*

Under the co-investor agreements each of Cinven Cable Investments S.à r.l. and WP Holdings IV B.V. has explicitly agreed with their respective co-investors that they will not at any time coordinate their voting on the Ordinary Shares so as to ensure that they will not be considered (i) concert parties or (ii) to jointly have substantial control, for purposes of the Dutch public offer rules. See “Description of Share Capital and Corporate Governance—Obligations of Shareholders to Make a Public Offer and Squeeze Out Proceedings”. In addition, the co-investor agreements do not intend to create a partnership between Cinven Cable Investments S.à r.l. and WP Holdings IV B.V. and their respective co-investors or to make either Cinven Cable Investments S.à r.l. or WP Holdings IV B.V. the agent of any co-investor or vice versa.

#### *Termination*

A co-investor agreement shall in any event terminate in case (i) the relevant co-investor, together with its affiliates, no longer holds, either directly or indirectly, any Ordinary Shares, (ii) three years have passed since the closing of the Offering, (iii) the combined holding of Cinven Cable Investments S.à r.l. and WP Holdings IV B.V. and their affiliates falls below the threshold of 10% of the then outstanding number of Ordinary Shares or (iv) the Company becomes subject to insolvency proceedings, a resolution of the General Meeting to liquidate the Company becomes unconditional, the Company ceases to exist as a result of a legal merger or spin-off in a situation where the Company is the disappearing entity or a termination of the listing of the Ordinary Shares on Euronext Amsterdam takes effect.

#### *Governing law*

The co-investor agreements are governed by Dutch law and any disputes arising from the co-investor agreements will be submitted to arbitration in Amsterdam, the Netherlands, to be concluded in accordance with the then-existing international arbitration rules of the International Chamber of Commerce.

#### *Shareholders’ Agreement*

On March 9, 2012, Cinven Cable Investments S.à r.l. and WP Holdings IV B.V. will enter into a shareholders’ agreement.

The shareholders’ agreement will become effective as of the date immediately preceding the First Trading Date, with the exception of clause 10 (Confidentiality and Public Announcements) and clause 11 (Miscellaneous) (to the extent applicable to give effect to clause 10), which have become effective as of the date on which the shareholders’ agreement was entered into. If for any reason the closing of the Offering

does not take place, the shareholders' agreement, with the exception of clause 10 and clause 11 (to the extent applicable to give effect to clause 10), will be treated as never having become effective.

The shareholders' agreement provides for a concert arrangement between Cinven Cable Investments S.à r.l. and WP Holdings IV B.V. in respect of the Ordinary Shares held by each of them at any time as well as transfer restrictions and tag along procedures in respect of the Ordinary Shares held by each of Cinven Cable Investments S.à r.l. and WP Holdings IV B.V. prior to the closing of the Offering. Any Ordinary Shares acquired by Cinven Cable Investments S.à r.l. and WP Holdings IV B.V. after the closing of the Offering will not be subject to the terms of the shareholders' agreement, with the exception of the concert arrangement set out in clause 3 (Governance).

#### *Concert*

Each of Cinven Cable Investments S.à r.l. and WP Holdings IV B.V. agrees to cast in a General Meeting the voting rights attached to its Ordinary Shares in favor of the appointment to the Supervisory Board of an individual designated by either Cinven Cable Investments S.à r.l. or WP Holdings IV B.V. In addition, prior to a General Meeting, Cinven Cable Investments S.à r.l. and WP Holdings IV B.V. may consult with one another and decide to coordinate the exercise of the voting rights attached to their Ordinary Shares, without being required to do so each time.

After the Restructuring prior to the closing of the Offering as well as after the closing of the Offering, Cinven Cable Investments S.à r.l. and WP Holdings IV B.V. will together hold more than 30% of the Company's voting rights and will adhere to the arrangements set out in the preceding paragraph. As a corollary, Cinven Cable Investments S.à r.l. and WP Holdings IV B.V. agree that they will, as per the First Trading Date, (i) be concert parties and (ii) jointly have substantial control, for purposes of the Dutch public offer rules. However, neither Cinven Cable Investments S.à r.l. nor WP Holdings IV B.V. nor their ultimate controlling parent companies will be required to launch a public offer as they are able to rely on the exception from the obligation to launch a public offer described in "Description of Share Capital and Corporate Governance—Obligations of Shareholders to Make a Public Offer and Squeeze Out Proceedings".

The occurrence of a change of control in relation to either Cinven Cable Investments S.à r.l. or WP Holdings IV B.V. that may result in a third party acquiring indirect substantial control over the Company will result in an immediate and automatic termination of the concert arrangement between Cinven Cable Investments S.à r.l. and WP Holdings IV B.V.

#### *Transfer Restrictions and Tag Along Procedures*

During the term of the shareholders' agreement each of Cinven Cable Investments S.à r.l. and WP Holdings IV B.V. agrees to only sell and transfer Ordinary Shares in accordance with the tag along procedures and co-investor sell-down arrangements, except as set forth below.

If during the term of the shareholders' agreement either Cinven Cable Investments S.à r.l. or WP Holdings IV B.V. wishes to sell and transfer to a third party or third parties any of its Ordinary Shares (the Initiating Investor as defined under the shareholders' agreement), it must provide to the other the right (without having the obligation) to also sell and transfer to such third party or third parties up to such number of Ordinary Shares as are sold by the Initiating Investor at the same price and on the same terms and conditions. In connection with such proposed sale and transfer of Ordinary Shares an investment bank may be appointed at the request of the Initiating Investor or the other in case it has elected to make use of its tag along right.

The transfer restrictions, tag along procedures and co-investor sell-down arrangements do not apply in respect of a sale and transfer of Ordinary Shares by either Cinven Cable Investments S.à r.l. or WP Holdings IV B.V. (i) that were acquired by it after the closing of the Offering, (ii) to one of its affiliates or (iii) where such sale and transfer represent no more than 1% of all Ordinary Shares in any six month period (subject to the provisions of any applicable lock-up arrangements).

#### *Distributions in Kind*

Each of Cinven Cable Investments S.à r.l. and WP Holdings IV B.V. shall be permitted to distribute Ordinary Shares as a distribution in kind to its ultimate beneficiaries. If and to the extent that Cinven Cable Investments S.à r.l. or WP Holdings IV B.V. does so, an equal number of Ordinary Shares of the other will be released from the tag along procedures (as described above).

### *Single Purchaser Sale*

In case either Cinven Cable Investments S.à r.l. or WP Holdings IV B.V. proposes to sell Ordinary Shares to (i) a strategic party, (ii) a single party, (iii) one or more third parties in a privately negotiated transaction (rather than through a private or public placement of Ordinary Shares) or (iv) a consortium of one or more non-strategic parties and one or more strategic parties, the tag along procedures (as described above) do not apply to such a sale (a Single Purchaser Sale as defined under the shareholders' agreement). The tag along procedures do also not apply in case of a sale of Ordinary Shares through a private or public placement where either Cinven Cable Investments S.à r.l. or WP Holdings IV B.V. is aware that a material portion of such Ordinary Shares will be or are reasonably likely to be resold to a party or parties as listed under (i) through (iv), and such sale also qualifies as a Single Purchaser Sale.

In respect of any sale of Ordinary Shares, Cinven Cable Investments S.à r.l. and WP Holdings IV B.V. will seek to identify the eventual purchaser or purchasers of any Ordinary Shares or any block of Ordinary Shares, also to assess whether or not the sale of such Ordinary Shares will qualify as a Single Purchaser Sale. A potential Single Purchaser Sale shall be negotiated with the potential single purchaser by Cinven Cable Investments S.à r.l. and WP Holdings IV B.V. jointly. Each of Cinven Cable Investments S.à r.l. and WP Holdings IV B.V. shall promptly inform the other of the status and contents of any discussions, negotiations or communications with a potential single purchaser that might result in a Single Purchaser Sale, providing relevant details.

A Single Purchaser Sale shall only be entered into by either Cinven Cable Investments S.à r.l. or WP Holdings IV B.V. if the other party has given its prior written consent, which may be withheld at such other party's sole discretion acting reasonably. Where both Cinven Cable Investments S.à r.l. and WP Holdings IV B.V. enter into a Single Purchaser Sale, they agree to do so only on the same terms.

The Single Purchaser Sale provisions will cease to apply once either Cinven Cable Investments S.à r.l. or WP Holdings IV B.V. holds less than 5% of the then outstanding number of Ordinary Shares (excluding shares acquired following settlement of the Offering).

### *Automatic Co-investor Sell-Down Mechanism*

As from the First Trading Date, each of the co-investors shall hold its Ordinary Shares in a so-called sell-down account in its own name, except for the limited number of co-investors that will remain indirectly invested in the Company through Dutch Cable Limited Partnership, where the Ordinary Shares will be held by and in a sell-down account in the name of Dutch Cable Limited Partnership. However, during the term of the co-investor agreements each of Cinven Cable Investments S.à r.l. and WP Holdings IV B.V. will have the authority to, on behalf of their respective co-investors, sell Ordinary Shares from such sell-down accounts in accordance with the terms of the co-investor agreements; during such period, the co-investors will not be able to independently sell Ordinary Shares from their sell-down accounts, although the co-investors (i) will maintain full discretion as to the exercise of the voting rights attached to the Ordinary Shares held in their sell-down accounts, (ii) will be able to freely dispose of cash in their sell-down accounts and (iii) may freely purchase and sell Ordinary Shares not held in their sell-down accounts. See “—Co-investor Agreements—Sell-Down Account” above.

If during the term of the shareholders' agreement either Cinven Cable Investments S.à r.l. or WP Holdings IV B.V. sells and transfers Ordinary Shares to a third party (either pursuant to its tag along right as described above or otherwise), it shall, at the same time and for the same consideration and subject to the same conditions, also sell and transfer to such third party a pro rata number of Ordinary Shares from the sell-down accounts of its respective co-investors. In relation to such sale and transfer each of Cinven Cable Investments S.à r.l. and WP Holdings IV B.V. is entitled to withhold from the sale proceeds on a pro rata basis reasonably incurred costs. See “—Co-investor Agreements—Orderly Market Arrangements” above.

### *No Partnership*

The shareholders' agreement does not intend to create a partnership between Cinven Cable Investments S.à r.l. and WP Holdings IV B.V. or to make Cinven Cable Investments S.à r.l. the agent of WP Holdings IV B.V. or vice versa.

### *Termination*

The shareholders' agreement shall in any event terminate in case (i) either Cinven Cable Investments S.à r.l. or WP Holdings IV B.V., together with its respective affiliates, no longer holds, either directly or

indirectly, any Ordinary Shares, (ii) three years have passed since the First Trading Date, (iii) the combined holding of Cinven Cable Investments S.à r.l. and WP Holdings IV B.V. and their respective affiliates falls below the threshold of 10% of the then outstanding number of Ordinary Shares or (iv) the Company becomes subject to insolvency proceedings, a resolution of the General Meeting to liquidate the Company becomes unconditional, the Company ceases to exist as a result of a legal merger or spin-off in a situation where the Company is the disappearing entity or a termination of the listing of the Ordinary Shares on Euronext Amsterdam takes effect.

#### *Governing law*

The shareholders' agreement is governed by Dutch law and any disputes arising from the shareholders' agreement will be submitted to arbitration in Amsterdam, the Netherlands, to be concluded in accordance with the then-existing international arbitration rules of the International Chamber of Commerce.

#### ***Restructuring and IPO Process Agreement***

On February 10, 2012, the Company, the Cinven Funds, the Warburg Pincus Funds, Dutch Cable Limited Partnership, each of the direct and indirect (through Dutch Cable Limited Partnership) co-investors, Even Participation Coöperatie U.A. and the strip managers (as set out in "Holdings Immediately Prior to and After the Offering" above) entered into a restructuring and IPO process agreement.

The restructuring and IPO process agreement sets out, and binds its parties to, the main steps to be taken in connection with the Restructuring and the Offering, and is effective as of the date on which it was entered into, provided, however, that if for any reason the Offering is not consummated by December 31, 2012 the restructuring and IPO process agreement shall automatically terminate on that date.

Pursuant to the restructuring and IPO process agreement, each co-investor and each strip manager will grant a power of attorney in order for Cinven and Warburg Pincus to effectuate, on their behalf, the Restructuring and the Offering. All costs relating to the Offering which are properly incurred by Cinven and Warburg Pincus, as well as the liabilities and reasonable costs associated with and resulting from the liquidation of Even Investments S.à r.l., Even Investments 2 S.à r.l. and Zesko Holding B.V. (as described in "—Restructuring" above) shall be borne by Cinven Cable Investments S.à r.l., WP Holdings IV B.V., the direct and indirect (through Dutch Cable Limited Partnership) co-investors and the strip managers on a pro rata basis, based on the proportion that the number of Offer Shares sold in the Offering by each such party bears to the total number of Offer Shares sold in the Offering by all such parties. In addition, the agreement contains a mechanism on how to deal with any such costs and liabilities to the extent these are only settled and discharged after the date of the closing of the Offering.

The restructuring and IPO process agreement is governed by Dutch law and any disputes arising from the restructuring and IPO process agreement will be submitted to arbitration in Amsterdam, the Netherlands, to be concluded in accordance with the then-existing international arbitration rules of the International Chamber of Commerce.



## DESCRIPTION OF SHARE CAPITAL AND CORPORATE GOVERNANCE

### General

The Company is a public company with limited liability (*naamloze vennootschap*) incorporated under the laws of the Netherlands.

The Company was incorporated in the Netherlands on April 1, 2011 by notarial deed of incorporation before Mr. Dirk-Jan Jeroen Smit, Civil Law Notary at Amsterdam, the Netherlands. The declaration of no objection of the Minister of Justice to that incorporation was issued on March 24, 2011, number NV 1638979.

The Company's statutory seat (*statutaire zetel*) is in Utrecht, the Netherlands, and its registered office and principal place of business is at Atoomweg 100, 3542 AB Utrecht, the Netherlands. The Company is registered with the trade register of the Chamber of Commerce for Midden-Nederland, the Netherlands, under number 52444511, and its telephone number is +31 (0) 88 717 0000.

The Dutch full large company regime (*volledig structuurregime*), as set forth in the provisions of sections 2:158 to 2:162 inclusive and 2:164 of the Dutch Civil Code, is being applied by the Company.

The Ordinary Shares are subject to, and have been created under, the laws of the Netherlands.

### Share Capital

Prior to the closing of the Offering, the Restructuring is expected to be implemented and our Current Articles (as defined below in "Articles of Association—General") are expected to be amended by means of a deed of amendment of our Current Articles.

Under our Current Articles, our authorized share capital amounts to €225,000 and is divided into 2,250,000 Ordinary Shares, each with a nominal value of €0.10.

Under our Articles of Association, as a result of the execution of the deed of amendment of our Current Articles, we will have an authorized share capital amounting to €800,000,000 and divided into 800,000,000 Ordinary Shares, each with a nominal value of €1.

At the date of this Prospectus, our issued and outstanding share capital amounts to €45,000 and is divided into 450,000 Ordinary Shares. At the date of this Prospectus, we hold no Ordinary Shares in our own share capital. All Ordinary Shares that are issued and outstanding at the date of this Prospectus are fully paid up.

Save as disclosed above and in "The Offering":

- no share capital of the Company has, prior to the date of this Prospectus, been issued or agreed to be issued, or is now proposed to be issued (other than pursuant to the Offering), fully or partly paid, either for cash or for a consideration other than cash, to any person;
- no commissions, discounts, brokerages or other special terms have been granted by the Company in connection with the issue or sale of any share or loan capital of any such company; and
- no share or loan capital of the Company is under option or agreed conditionally or unconditionally to be put under option.

The Company will be subject to the provisions of the Dutch Financial Supervision Act and the Articles of Association with regard to the issue of Ordinary Shares following admission. See "—Articles of Association" below. The Ordinary Shares are in registered form and are only available in the form of an entry in the Company's shareholders' register and not in certificated form.

### Articles of Association

#### General

As part of the implementation of the Restructuring and prior to the closing of the Offering, the General Meeting is expected to resolve to amend the Articles of Association of the Company by means of a deed of amendment of the articles of association of the Company (the "Deed of Amendment"). The articles of association in the form as are in force at the date of this Prospectus are referred to herein as our "Current Articles".

Set forth below is a summary of certain relevant information concerning our share capital and certain significant provisions of Dutch corporate law and a brief summary of certain provisions of the "Articles of

Association”, being our articles of association as they will read after the expected execution of the Deed of Amendment prior to the closing of the Offering. Where there is a significant difference between the Articles of Association and the Current Articles this will be briefly described.

This summary does not purport to give a complete overview and should be read in conjunction with, and is qualified in its entirety by reference to, our Articles of Association, or with relevant provisions of Dutch law as in force on the date of this Prospectus, and does not constitute legal advice regarding these matters and should not be considered as such. The full text of our Articles of Association and the Current Articles is available, in Dutch and English, at the offices of the Company during regular business hours. Our Articles of Association and the Current Articles shall be made available in Dutch and English, on our website: [www.ziggo.com](http://www.ziggo.com). See “General Information”.

### ***Objects***

The corporate objectives of the Company are:

- to construct and exploit fixed and mobile telecommunication- and broadcasting networks and other infrastructural services regarding the offering of telecommunication-, media-, internet-, interactive broadcasting-, multimedia-, and data transmission services;
- to offer telecommunication-, media, internet-, interactive broadcasting-, multimedia- and data transmission services;
- to participate in, to finance, to collaborate with, to conduct the management of companies and other enterprises and provide advice and other services;
- to acquire, use and/or assign industrial and intellectual property rights and real property;
- to invest funds; and
- to provide guarantees and security for the debts of legal persons or of other companies with which the Company is affiliated in a group or for the debts of third parties.

### ***Ordinary Shares***

#### *Form of Ordinary Shares*

All our Ordinary Shares are registered shares and are entered into a collection deposit (*verzameldepot*) and/or giro deposit (*girodepot*) on the basis of the Dutch Securities Giro Act (*Wet giraal effectenverkeer*). The intermediaries (*intermediairs*), as defined in the Dutch Securities Giro Act, are responsible for the management of the collection deposit and Euroclear Nederland (Herengracht 459-469, 1017 BS Amsterdam, the Netherlands), being the central institute (*centraal instituut*) for the purposes of the Dutch Securities Giro Act, will be responsible for the management of the giro deposit.

#### *Company’s Shareholders’ register*

Subject to Dutch law and the Articles of Association, the Company must keep the Company’s shareholders’ register. The Company’s shareholders’ register must be kept accurate and up-to-date. The Management Board keeps the Company’s shareholders’ register up-to-date and records names and addresses of all holders of Ordinary Shares, showing the date on which the Ordinary Shares were acquired, the date of the acknowledgement by or notification of the Company as well as the amount paid on each Ordinary Share. If Ordinary Shares are transferred to an intermediary for inclusion in a collection deposit or to the central institute for inclusion in the giro depot, the name and address of the intermediary, respectively the central institute, will be entered in the Company’s shareholders’ register, mentioning the date on which the Ordinary Shares concerned were included in a collection deposit, respectively the giro deposit, the date of acknowledgement or service, as well as the amount paid on each Ordinary Share. The register also includes the names and addresses of those with a right of usufruct or a pledge in respect of such Ordinary Shares.

## ***Issue of Ordinary Shares and Pre-emptive Rights***

### ***Issue of Ordinary Shares***

Under our Articles of Association we may only issue new Ordinary Shares, or grant rights to subscribe for Ordinary Shares, pursuant to a resolution of the General Meeting upon a proposal of the Management Board which has been approved by the Supervisory Board.

Our Articles of Association provide that the General Meeting may delegate the authority to issue shares, or grant rights to subscribe for shares, to the Management Board, upon a proposal of the Management Board which has been approved by the Supervisory Board. Pursuant to Dutch law, the period of delegation may not exceed five years. Such authority may be renewed by a resolution of the General Meeting for a subsequent period of up to five years each time. If not otherwise determined in the resolution, such authority is irrevocable. In the resolution authorizing the Management Board, the price and further terms of issue must be determined.

After the implementation of the Restructuring prior to the closing of the Offering, the General Meeting is expected to resolve to designate the Management Board as the competent body to issue Ordinary Shares and to grant rights to subscribe for Ordinary Shares with the prior approval of the Supervisory Board for a period of 18 months. In its resolution, the General Meeting is expected to resolve to restrict the competency of the Management Board as regards the issue of Ordinary Shares and the grant of rights to subscribe for Ordinary Shares to a maximum of 10% of the total issued and outstanding share capital of the Company at the time of the issue and/or grant.

No resolution of the General Meeting or the Management Board is required for an issue of shares pursuant to the exercise of a previously granted right to subscribe for shares.

### ***Pre-emptive Rights***

Under Dutch law and the Articles of Association, each Shareholder has a pre-emptive right in proportion to the aggregate nominal value of its shareholding upon the issue of new Ordinary Shares (or the granting of rights to subscribe for Ordinary Shares). Exceptions to this pre-emptive right include the issue of new Ordinary Shares (or the granting of rights to subscribe for Ordinary Shares): (i) to employees of the Company or another member of its Group, (ii) against payment in kind (contribution other than in cash) and (iii) to persons exercising a previously-granted right to subscribe for Ordinary Shares.

Upon a proposal of the Management Board, the General Meeting may resolve, with the prior approval of the Supervisory Board, to limit or exclude the pre-emptive rights, which resolution requires a majority of at least two-thirds of the votes cast, if less than half of the issued share capital is represented at the General Meeting. The General Meeting may also designate the Management Board to resolve to limit or exclude the pre-emptive rights with the prior approval of the Supervisory Board. Pursuant to Dutch law, this designation may be granted to the Management Board for a specified period of time of not more than five years and only if the Management Board has also been designated or is simultaneously designated the authority to resolve to issue Ordinary Shares.

After the implementation of the Restructuring prior to the closing of the Offering, the General Meeting is expected to resolve to designate the Management Board as the competent body to limit or exclude the pre-emptive rights upon the issuance of Ordinary Shares with the approval of the Supervisory Board for a period of 18 months, simultaneously with the designation of the Management Board as the competent body to issue Ordinary Shares. See “—Issue of Ordinary Shares” above.

### ***Acquisition of Own Ordinary Shares***

We may acquire our own fully paid up Ordinary Shares at any time for no consideration (*om niet*), or, subject to certain provisions of Dutch law and our Articles of Association, if: (i) our shareholders' equity less the payment required to make the acquisition, does not fall below the sum of called-up and paid-in share capital and any statutory reserves, (ii) we and our subsidiaries would thereafter not hold shares or hold a pledge over our shares with an aggregate nominal value exceeding 50% of our issued share capital and (iii) the Management Board has been authorized thereto by the General Meeting.

The acquisition of Ordinary Shares by the Company other than for no consideration requires authorization by the General Meeting. Such authorization may be granted for a period not exceeding 18 months and shall specify the number of Ordinary Shares, the manner in which Ordinary Shares may be acquired and the price range within which Ordinary Shares may be acquired. The authorization is not required for the

acquisition of Ordinary Shares for employees of the Company or another member of its Group, under a scheme applicable to such employees.

After the implementation of the Restructuring prior to the closing of the Offering, the General Meeting is expected to resolve to designate the Management Board, with the approval of the Supervisory Board, as the competent body to acquire the Company's fully paid up Ordinary Shares other than for no consideration for a period of 18 months. In its resolution, the General Meeting is expected to resolve to restrict the competency of the Management Board of such acquisition to a maximum of 10% of the total issued and outstanding share capital of the Company at the time of such acquisition.

No voting rights may be exercised in respect of any Ordinary Share held by the Company or its subsidiary companies.

#### ***Reduction of Share Capital***

Under our Articles of Association, upon a proposal from the Management Board, subject to the approval by the Supervisory Board, the General Meeting may resolve to reduce our issued and outstanding share capital by cancelling our Ordinary Shares, or by amending our Articles of Association to reduce the nominal value of our Ordinary Shares. Under Dutch law, the resolution to reduce the issued share capital of the Company must specifically state the shares concerned and lay down rules for the implementation of the resolution. The resolution to cancel Ordinary Shares may only concern Ordinary Shares which are held by the Company. A resolution to reduce our share capital requires a majority of at least two-thirds of the votes cast, if less than half of our issued share capital is present or represented at the General Meeting.

#### ***Transfer of Ordinary Shares***

In accordance with the provisions of Dutch law, the Ordinary Shares or a right *in rem* thereon are transferred by means of a deed of transfer executed before a Dutch civil law notary, unless Ordinary Shares are (or shall shortly be) admitted to trading on a regulated market or multilateral trading facility as referred to in Article 1:1 of the Dutch Financial Supervision Act or a system comparable to a regulated market or multilateral trading facility.

If a registered Ordinary Share is transferred for inclusion in a collection deposit, the transfer will be accepted by the intermediary concerned. If a registered Ordinary Share is transferred for inclusion in a giro deposit, the transfer will be accepted by the central institute, being Euroclear Nederland. The transfer and acceptance of Ordinary Shares in the collection deposit or giro deposit, respectively, can be effected without the cooperation of the other participants in the collection deposit or giro deposit, respectively.

Upon issue of a new Ordinary Share to Euroclear Nederland respectively to an intermediary, the transfer in order to include the Ordinary Share in the giro deposit respectively the collection deposit will be effected without the cooperation of the other participants in the collection deposit.

#### ***Annual Accounts and Independent Auditor***

The financial year of the Company coincides with the calendar year. Annually within four months after the end of the financial year, the Management Board prepares the annual accounts, which must be accompanied by an annual report and makes this available for inspection at the Company's address. All members of the Management Board and the Supervisory Board sign the annual accounts and if a member does not so sign, the reason for this must be stated.

The General Meeting may adopt the annual accounts at the annual general meeting of Shareholders, in which meeting also the release of liability of the members of the Management Board in respect of their management and the members of the Supervisory Board for their supervision thereon during the relevant financial year insofar this appears from the annual accounts, shall be discussed and resolved upon. The annual accounts, the annual report and independent auditor's report are made available at the trade register and at the office of the Company to the Shareholders for review as from the day of the notice convening the annual general meeting of Shareholders.

#### ***Dividend Distributions***

The Company may make distributions to the Shareholders and other persons entitled to the distributable profits only to the extent that our shareholders' equity exceeds the sum of the called-up and paid-in share capital and any statutory reserves.

We may only make a distribution of dividends to our Shareholders after the adoption of our statutory annual accounts demonstrating that such distribution is legally permitted. The Management Board is permitted however, subject to certain requirements and subject to approval of our Supervisory Board, to declare interim dividends.

Claims to dividends and other distributions not made within five years from the date that such dividends or distributions became payable will lapse and any such amounts will be considered to have been forfeited to us (*verjaring*).

### ***Meetings of Shareholders***

#### *Annual Meeting*

An annual general meeting of Shareholders must be held within six months from the end of the preceding financial year of the Company. The purpose of the annual general meeting of Shareholders is to discuss *inter alia* the annual report, the adoption of the annual accounts, allocation of profits (including the proposal to distribute dividends), release of members of the Management Board and members of the Supervisory Board from liability for their management and supervision, respectively, and other proposals brought up for discussion by the Management Board and the Supervisory Board.

#### *General Meeting of Shareholders and Place of Meetings*

Other general meetings of Shareholders will be held if requested by the Management Board or the Supervisory Board or by the written request (stating the exact subjects to be discussed) of one or more Shareholders representing in aggregate at least 10% of the issued share capital of the Company (taking into account the relevant provisions of Dutch law and the Articles of Association). General meetings will be held in Amsterdam, Rotterdam, Utrecht, The Hague, Haarlemmermeer (Schiphol), Eindhoven, Groningen, Zwolle or Heerhugowaard, the Netherlands.

#### *Convocation Notice and Agenda*

General meetings of Shareholders can be convened by the Management Board or the Supervisory Board by a notice, specifying the subjects to be discussed, the place and the time of the meeting and admission and participation procedure, issued at least forty-two days before the meeting. All convocations, announcements, notifications and communications to Shareholders have to be made in accordance with the relevant provisions of Dutch law and the convocation and other notices may also occur by means of sending an electronically transmitted legible and reproducible message to the address of those Shareholders which consented to this method of convocation. The agenda for a general meeting of Shareholders may contain the items requested by one or more Shareholders, or other persons entitled to attend general meetings, alone or together representing at least 1% of the issued share capital or at least €50 million in value. Legislation is being considered to increase this threshold to 3%. Requests must be made in writing, substantiated or including a proposal for a resolution, and received by the Management Board and the Supervisory Board at least sixty days before the day of the meeting.

#### *Admission and Registration*

Each Shareholder entitled to vote, and each usufructuary to whom the right to vote on the Ordinary Shares accrues, shall be authorized to attend the General Meeting, to address the General Meeting and to exercise his/her voting rights. The Management Board shall set a registration date on the twenty-eighth day prior to the General Meeting so as to establish which Shareholders are entitled to attend and vote in the General Meeting. Only holders of our Ordinary Shares at such registration date are entitled to attend and vote in the General Meeting, regardless of who would have been entitled to attend the General Meeting if no registration date would apply. The convocation notice for the meeting shall state the registration date and the manner in which the persons entitled to attend the General Meeting may register and exercise their rights.

Those entitled to attend a General Meeting may be represented at a General Meeting by a proxy authorized in writing.

Members of the Management Board and members of the Supervisory Board may attend a General Meeting. In these General Meetings, they have an advisory role.



### *Voting Rights*

Each Ordinary Share confers the right on the holder to cast one vote at a general meeting of Shareholders. Resolutions are passed by a simple majority of the votes cast, unless Dutch law or the Articles of Association prescribe a larger majority (such as a resolution to reduce the issued share capital or a resolution to restrict or exclude pre-emptive rights, which requires at least two-thirds of the votes cast, in a meeting if less than half of the issued share capital is present or represented).

### *Amendment of Articles of Association*

The General Meeting may resolve to amend the Articles of Association, upon a proposal of the Management Board with the prior approval of the Supervisory Board. A resolution by the General Meeting to amend the Articles of Association requires a simple majority of the votes cast.

### *Dissolution and Liquidation*

The General Meeting may resolve to dissolve the Company, upon a proposal of the Management Board thereto with the prior approval of the Supervisory Board. In the event of dissolution, our business will be liquidated in accordance with Dutch law and our Articles of Association and the liquidation shall be arranged by the Management Board under supervision of the Supervisory Board, unless the General Meeting appoints other liquidators. During liquidation, the provisions of our Articles of Association will remain in force as far as possible.

The balance of our remaining equity after payment of debts and liquidation costs will be distributed to the Shareholders in proportion to the number of Ordinary Shares that each party owns.

### *Liability, Indemnity and Insurance*

#### *Liability*

Under Dutch law, members of the Management Board and the Supervisory Board may be liable to us for damages in the event of improper or negligent performance of their duties. They may be jointly and severally liable for damages to us and to third parties for infringement of the Articles of Association or of certain provisions of the Dutch Civil Code. In certain circumstances, they may also incur additional specific civil and criminal liabilities.

#### *Indemnity and Insurance*

The liability of the Management Board members, the Supervisory Board members and persons in other senior management positions of the Company has been covered by a directors' and officers' liability insurance policy. This policy contains limitations and exclusions, such as for willful misconduct or intentional recklessness (*opzet of bewuste roekeloosheid*).

Our Articles of Association provide for an indemnity for any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding (whether civil, criminal, administrative or investigative) in his or her current or former capacity as member of the Management Board or the Supervisory Board, provided that such person acted in good faith and in a manner which he/she reasonably believed to be in or not opposed to our best interests. However, this indemnification shall not apply in the case of (i) the Management Board's or the Supervisory Board's members' gross negligence or willful misconduct as determined by a non-appealable judgment, unless a court determines that, in view of all circumstances, an indemnification against such liabilities and expenses is fair and reasonable or (ii) reimbursement of the costs and losses by our insurance company under any insurance.

### **Dutch Corporate Governance Code**

The Dutch Corporate Governance Code, which was first published on 9 December 2003, contains both principles and best practice provisions that regulate relations between the management board, the supervisory board and the shareholders (i.e. the general meeting of shareholders). Dutch companies whose shares are listed on a government-recognized stock exchange, whether in the Netherlands (such as Euronext Amsterdam) or elsewhere, are required under Dutch law to disclose in their annual reports whether or not they apply the provisions of the Dutch Corporate Governance Code and, in the event that they do not apply a certain provision, to explain the reasons why.

In December 2008, the Dutch Corporate Governance Code was amended on the recommendation of the Dutch Corporate Governance Code Monitoring Committee, following three years of monitoring compliance and application. The amended Dutch Corporate Governance Code came into force on January 1, 2009.

We acknowledge the importance of good corporate governance. We have reviewed the Dutch Corporate Governance Code and support the best practice provisions thereof. Therefore, except as noted below or in the case of any future deviation, subject to explanation thereof at the relevant time, we intend to comply with the relevant best practice provisions of the Dutch Corporate Governance Code.

#### ***Departures from the Best Practice Provisions of the Dutch Corporate Governance Code***

While we endorse the principles and best practice provisions of the Dutch Corporate Governance Code, we will or may not comply with the following best practice provisions of the Dutch Corporate Governance Code:

- The Company will not be in compliance with best practice provision III.2.1 that requires that all members of the Supervisory Board, with the exception of not more than one, shall be independent as only four of the eight members of the Supervisory Board will be independent. See “Management, Supervisory Board and Employees—Supervisory Board”.
- The Company will not be in compliance with best practice provision III.5 that requires that in case the Supervisory Board consists of more than four members, it shall appoint from among its members an audit committee, a remuneration committee and a selection and appointment committee as the remuneration committee and the selection and appointment committee will be combined. See “Management, Supervisory Board and Employees—Supervisory Board”.
- The Company will not be in compliance with best practice provision III.5.1 as only two of the four members of the Audit Committee and of the Selection, Appointment and Remuneration Committee will be independent. See “Management, Supervisory Board and Employees—Supervisory Board”.
- The Company will not be in compliance with best practice provision III.5.11 that requires that the remuneration committee may not be chaired by the chairman of the Supervisory Board as Mr. Sukawaty will (at least temporarily) chair the Selection, Appointment and Remuneration Committee. See “Management, Supervisory Board and Employees—Supervisory Board”.
- The Company will not be in compliance with best practice provision IV.3.1 that requires that provision shall be made for all Shareholders to follow any meetings with analysts, presentations to analysts, presentations to investors and institutional investors and press conferences in real time by means of webcasting or telephone.
- The Company will not be in compliance with best practice provision II.2.8 that provides that the remuneration, in the event of a dismissal, may not exceed one year’s fixed salary. In the event that Mr. Dijkhuizen’s employment agreement is terminated at the Company’s initiative for a reason that is not mainly or solely attributable to acts or omissions of Mr. Dijkhuizen and as a result ends prior to January 1, 2014, the basic assumption in that case is that Mr. Dijkhuizen’s severance arrangement shall then be based on the neutral Cantonal Court Formula (*kantonrechttersformule*) (as currently applicable), increased with the average amount of the short term annual cash incentive awarded over the two years prior to the termination date of his employment agreement. See “Management, Supervisory Board and Employees—Employment Agreements and Severance Agreements”.

#### **Obligations of Shareholders, Supervisory Board Members and Management Board Members to Disclose Holdings**

Pursuant to chapter 5.3 of the Dutch Financial Supervision Act any person who, directly or indirectly, acquires or disposes of a capital interest and/or voting rights in the Company must immediately give written notice to the AFM of such acquisition or disposal by means of a standard form if, as a result of such acquisition or disposal, the percentage of capital interest and/or voting rights held by such person reaches, exceeds or falls below the following thresholds: 5%, 10%, 15%, 20%, 25%, 30%, 40%, 50%, 60%, 75% and 95%. Legislation is being considered that would add a 3% threshold as well.

For the purpose of calculating the percentage of capital interest or voting rights, the following interests must, *inter alia*, be taken into account: (i) Ordinary Shares and/or voting rights directly held (or acquired or disposed of) by any person, (ii) Ordinary Shares and/or voting rights held (or acquired or disposed of) by

such person's controlled entities or by a third party for such person's account (iii) voting rights held (or acquired or disposed of) by a third party with whom such person has concluded an oral or written voting agreement, (iv) voting rights acquired pursuant to an agreement providing for a temporary transfer of voting rights in consideration for a payment, and (v) Ordinary Shares which such person, or any controlled entity or third party referred to above, may acquire pursuant to any option or other right to acquire Ordinary Shares.

Controlled entities (within the meaning of the Dutch Financial Supervision Act) do not themselves have notification obligations under the Dutch Financial Supervision Act as their direct and indirect interests are attributed to their (ultimate) parent. If a person who has a 5% or larger interest in the Company's share capital or voting rights ceases to be a controlled entity it must immediately notify the AFM and all notification obligations under the Dutch Financial Supervision Act will become applicable to such former controlled entity.

Special rules apply to the attribution of Ordinary Shares and/or voting rights which are part of the property of a partnership or other form of joint ownership. A holder of a pledge or right of usufruct in respect of Ordinary Shares can also be subject to notification obligations, if such person has, or can acquire, the right to vote on the Ordinary Shares. The acquisition of (conditional) voting rights by a pledgee or beneficial owner may also trigger notification obligations as if the pledgee or beneficial owner were the legal holder of the Ordinary Shares and/or voting rights.

Furthermore, when calculating the percentage of capital interest a person is also considered to be in possession of Ordinary Shares if (i) such person holds a financial instrument the value of which is (in part) determined by the value of the Ordinary Shares or any distributions associated therewith and which does not entitle such person to acquire any Ordinary Shares, (ii) such person may be obliged to purchase Ordinary Shares on the basis of an option, or (iii) such person has concluded another contract whereby such person acquires an economic interest comparable to that of holding an Ordinary Share.

Under the Dutch Financial Supervision Act, the Company is required to file a report with the AFM promptly after the Settlement Date setting out the Company's issued and outstanding share capital and voting rights. Thereafter the Company is required to notify the AFM promptly of any change of 1% or more in the Company's issued and outstanding share capital or voting rights since the previous notification. Other changes in the Company's issued and outstanding share capital or voting rights must be notified to the AFM within eight days after the end of the quarter in which the change occurred. If a person's capital interest and/or voting rights reach, exceed or fall below the above-mentioned thresholds as a result of a change in the Company's issued and outstanding share capital or voting rights, such person is required to make a notification not later than on the fourth trading day after the AFM has published the Company's notification as described above.

Each person whose holding of capital interest or voting rights amounts to 5% or more of the Company's issued and outstanding share capital at the Settlement Date must notify the AFM of such holding without delay.

Furthermore, each member of the Management Board or Supervisory Board must notify the AFM (a) immediately after the Settlement Date of the number of Ordinary Shares he/she holds and the number of votes he/she is entitled to cast in respect of the Company's issued and outstanding share capital, and (b) subsequently of each change in the number of Ordinary Shares he/she holds and of each change in the number of votes he/she is entitled to cast in respect of the Company's issued and outstanding share capital, immediately after the relevant change.

The AFM keeps a public register of all notifications made pursuant to these disclosure obligations and publishes any notification received.

Non-compliance with these disclosure obligations is an economic offence and may lead to criminal prosecution. The AFM may impose administrative penalties for non-compliance, and the publication thereof. In addition, a civil court can impose measures against any person who fails to notify or incorrectly notifies the AFM of matters required to be notified. A claim requiring that such measures be imposed may be instituted by the Company, and/or by one or more Shareholders who alone or together with others represent at least 5% of the issued and outstanding share capital of the Company or are able to exercise at least 5% of the voting rights. The measures that the civil court may impose include:

- an order requiring the person with a duty to disclose to make the appropriate disclosure;

- suspension of the right to exercise the voting rights by the person with a duty to disclose for a period of up to three years as determined by the court;
- voiding a resolution adopted by the general meeting of Shareholders, if the court determines that the resolution would not have been adopted but for the exercise of the voting rights of the person with a duty to disclose, or suspension of a resolution adopted by the general meeting of Shareholders until the court makes a decision about such voiding; and
- an order to the person with a duty to disclose to refrain, during a period of up to five years as determined by the court, from acquiring Ordinary Shares and/or voting rights in the Company.

Shareholders are advised to consult with their own legal advisers to determine whether the disclosure obligations apply to them.

### **Obligations of Shareholders to Make a Public Offer and Squeeze Out Proceedings**

Any person, acting alone or in concert with others, who, directly or indirectly, acquires 30% or more of the Company's voting rights will be obliged to launch a public offer for all outstanding shares in the Company's share capital. An exception is made for Shareholders who, whether alone or acting in concert with others, have an interest of at least 30% of the Company's voting rights before the Ordinary Shares are first admitted to trading on Euronext Amsterdam and who still have such an interest after such first admittance to trading. Considering that directly after the first admittance to trading of the Ordinary Shares on Euronext Amsterdam the Selling Shareholders will still be able to exercise 30% or more of the Company's voting rights, in case they would qualify as concert parties, such exception will apply to them upon such first admittance and will continue to apply to them for as long as their combined holding of Ordinary Shares will remain at or over 30% of the Company's voting rights. Prior to launching a public offer for all outstanding shares in the Company's share capital, an offer memorandum, which has been approved by the AFM, must be made generally available.

#### ***Squeeze Out***

Pursuant to article 2:92a of the Dutch Civil Code a Shareholder who, for its own account, holds at least 95% of the issued share capital of the Company may institute proceedings against the other Shareholders jointly for the transfer of their Ordinary Shares to it. The proceedings are held before the Enterprise Chamber and can be instituted by means of a writ of summons served upon each of the minority Shareholders in accordance with the provisions of the Dutch Code of Civil Procedure (*Wetboek van Burgerlijke Rechtsvordering*). The Enterprise Chamber may grant the claim for the squeeze out in relation to all minority Shareholders and will determine the price to be paid for the Ordinary Shares, if necessary after appointment of one or three experts who will offer an opinion to the Enterprise Chamber on the value to be paid for the Ordinary Shares of the minority Shareholders. Once the order to transfer becomes final before the Enterprise Chamber, the person acquiring the Ordinary Shares must give written notice of the date and place of payment and the price to the holders of the Ordinary Shares to be acquired whose addresses are known to it. Unless the addresses of all of them are known to it, it must also publish the same in a Dutch daily newspaper with a national circulation.

In addition, pursuant to article 2:359c of the Dutch Civil Code, following a public offer, a holder of at least 95% of the issued share capital and voting rights of the Company has the right to require the minority Shareholders to sell their Ordinary Shares to it. Any such request must be filed with the Enterprise Chamber within three months after the end of the acceptance period of the public offer. Conversely, pursuant to article 2:359d of the Dutch Civil Code each minority Shareholder has the right to require the holder of at least 95% of the issued share capital and voting rights of the Company to purchase its Ordinary Shares in such case. The minority Shareholder must file such claim with the Enterprise Chamber within three months after the end of the acceptance period of the public offer.

### **Disclosure of Trades in Listed Securities under Dutch Law**

Pursuant to the Dutch Financial Supervision Act, members of the Management Board or Supervisory Board and any other person who has managerial responsibilities within the Company and in that capacity is authorized to make decisions affecting the future developments and business prospects of the Company and who has regular access to inside information relating, directly or indirectly, to the Company (each, an "Insider") must notify the AFM of all transactions, conducted or carried out for his/her own account,

relating to the Ordinary Shares or financial instruments, the value of which is (in part) determined by the value of the Ordinary Shares.

In addition, persons designated by the Market Abuse Decree (*Besluit Marktmissbruik Wft*) (the “Market Abuse Decree”) who are closely associated with members of the Management Board or Supervisory Board or any of the Insiders must notify the AFM of all transactions conducted for their own account relating to the Ordinary Shares or financial instruments, the value of which is (in part) determined by the value of the Ordinary Shares. The Market Abuse Decree designates the following categories of persons: (i) the spouse or any partner considered by national law as equivalent to the spouse, (ii) dependent children, (iii) other relatives who have shared the same household for at least one year at the relevant transaction date, and (iv) any legal person, trust or partnership, among other things, whose managerial responsibilities are discharged by a member of the Management Board or Supervisory Board or any other Insider or by a person referred to under (i), (ii) or (iii) above.

The AFM must be notified of transactions effected in either the Ordinary Shares or financial instruments, the value of which is (in part) determined by the value of the Ordinary Shares, no later than the fifth business day following the transaction date by means of a standard form. Notification may be postponed until the date that the value of the transactions carried out on a person’s own account, together with the transactions carried out by the persons associated with that person, reach or exceed the amount of €5,000 in the calendar year in question. The AFM keeps a public register of all notifications made pursuant to the Dutch Financial Supervision Act.

Non-compliance with these reporting obligations under the Dutch Financial Supervision Act could lead to criminal penalties, administrative fines and cease-and-desist orders (and the publication thereof), imprisonment or other sanctions.

#### **Dutch Financial Reporting Supervision Act**

On the basis of the Dutch Financial Reporting Supervision Act (*Wet toezicht financiële verslaggeving*) (the “FRSA”), the AFM supervises the application of financial reporting standards by, among others, companies whose corporate seat is in the Netherlands and whose securities are listed on a regulated Dutch or foreign stock exchange.

Pursuant to the FRSA, the AFM has an independent right to (i) request an explanation from the Company regarding its application of the applicable financial reporting standards if, based on publicly known facts or circumstances, it has reason to doubt the Company’s financial reporting meets such standards and (ii) recommend the Company to make available further explanations. If the Company does not comply with such a request or recommendation, the AFM may request that the Enterprise Chamber orders the Company to (i) provide an explanation of the way it has applied the applicable financial reporting standards to its financial reports or (ii) prepare its financial reports in accordance with the Enterprise Chamber’s instructions.



## MATERIAL CONTRACTS

The contracts set out below (not being contracts entered into in the ordinary course of business) have (a) been entered into by the Company or another member of the Group within the two years immediately preceding the date of this document and are, or may be, material to the Company or any member of the Group; or (b) been entered into at any time and contain provisions under which the Company or any member of the Group has an obligation or entitlement which is, or may be, material to the Company or any member of the Group as at the date of this Prospectus.

### **Senior Credit Agreement**

Certain members of the Group entered into a senior credit agreement dated September 12, 2006, subsequently amended and restated on November 17, 2006, on May 7, 2010 and on May 6, 2011, between, among others, ABC B.V. as guarantor, certain other members of the Group as borrowers and/or guarantors (the “Obligors”), ABN AMRO Bank N.V., Credit Suisse, Goldman Sachs International, ING Bank N.V. and Morgan Stanley Bank International Limited, as joint mandated lead arrangers (the “Senior Credit Agreement”). On October 29, 2010, a special purpose vehicle Ziggo Finance B.V. (the “SPV”), which is not a member of the Group, issued €750 million aggregate principal amount of 6.125% senior secured notes due 2017 (the “6<sup>1</sup>/<sub>8</sub>% Senior Secured Notes”) and acceded to the Senior Credit Agreement as a lender under an additional term loan facility (the “Term Loan E Facility”) to borrowers indirectly wholly owned by ABC B.V. (collectively, the “Facility E Borrowers”).

### **Senior Credit Facilities**

The Senior Credit Agreement originally provided for facilities of €3,350 million. As at December 31, 2011, the total facilities amounted to €2,533 million, of which €2,133 million was drawn, comprising the following:

- an extended term loan B facility of €923 million (the “Term Loan B Facility”);
- the term loan E facility of € 750 million (the “Term Loan E Facility”);
- the term loan F facility of €460 million (the “Term Loan F Facility, and together with the Term Loan B Facility and the Term Loan E Facility, the “Term Loans”);
- an uncommitted capital expenditure and restructuring facility, the aggregate amount of which may not exceed €250 million (the “Capital Expenditure Facility”);
- an uncommitted revolving credit facility of €100 million (the “Uncommitted Revolving Credit Facility”); and
- a bilateral committed ancillary facility of €50 million (the “Bilateral Ancillary Facility”),

(together, the “Senior Credit Facilities”).

The Senior Credit Agreement also sets out the terms on which the lenders may, but have no obligation to, make available an extended capital expenditure facility of an amount not to exceed the amount of undrawn Capital Expenditure Facility commitments (“Extended Capital Expenditure Facility”) and a new revolving credit facility of up to €150 million (“New Revolving Credit Facility”).

### **Purpose**

Borrowings under the Term Loan B Facility and certain other term loan facilities that have been prepaid in full were used to finance the acquisitions of the Casema Business in 2006 and the @Home Business in 2007.

Borrowings under the Term Loan E Facility drawn on October 29, 2010 have been used to finance fees and expenses relating to amounts loaned under the Term Loan E Facility and the repayment of two previously drawn term loan facilities (the term loan C facility and the term loan D facility) provided for under the Senior Credit Agreement. If further notes are issued in the future by the SPV and on-lent as additional tranches under the Term Loan E Facility to borrowers wholly owned by ABC B.V., then the proceeds of such borrowings may only be used to finance fees and expenses relating to amounts loaned under the Term Loan E Facility and repayment of outstanding term loans. However, in the case of any partial prepayment of the Term Loan B Facility or the Term Loan F Facility, lenders under such facilities may initially decline to accept such partial prepayment.

Borrowings under the Term Loan F Facility were used to prepay all outstanding amounts under two previously drawn term loan facilities (the term loan C facility and the term loan D facility) provided for under the Senior Credit Agreement.

Borrowings under the Capital Expenditure Facility may be used to finance or refinance capital expenditure, finance certain permitted acquisitions (including related acquisition costs) and pay costs and expenses relating to the restructuring of the Group.

Borrowings under the Uncommitted Revolving Credit Facility and the Bilateral Ancillary Facility may be used for working capital requirements of the Group and for other general corporate purposes (other than for a purpose for which the Capital Expenditure Facility has been made available).

### *Interest and Fees*

Loans under the Senior Credit Agreement bear mandatory costs and interest at rates per annum, which were as follows as at December 31, 2011:

- Euribor plus a margin of 3.00% per annum for the Term Loan B Facility;
- 6.125% per annum for the Term Loan E Facility;
- Euribor plus a margin of 3.25% per annum for the Term Loan F Facility;

The margins applicable to the Term Loan B Facility, the Uncommitted Revolving Credit Facility and the Capital Expenditure Facility will be adjusted in accordance with the table below, which sets out different adjustments depending on the ratio of consolidated total net borrowings to adjusted consolidated EBITDA (the definition of which in the Senior Credit Agreement is identical to the definition of “Adjusted EBITDA” in this prospectus) on the closing date of a Qualifying IPO, as defined in the Senior Credit Agreement. The Offering, if completed, will constitute a Qualifying IPO. The adjustments relating to a Qualifying IPO were agreed in the Senior Credit Agreement of May 7, 2010 in connection with the introduction of new covenants.

From October 21, 2011, the interest rate on the Term Loan B changed to Euribor plus 3.0% following the reduction of the ratio of consolidated total net borrowings to adjusted consolidated EBITDA to below 4.0:1.

| Ratio of Consolidated Total Net Borrowings to Adjusted Consolidated EBITDA | Term Loan B Facility Margin | Uncommitted Revolving Credit Facility & Capital Expenditure Facility Margin |                     | Bilateral Ancillary Facility |
|--|-----------------------------|---|---------------------|------------------------------|
|  |                             | Pre-Qualifying IPO  | Post-Qualifying IPO |                              |
| More than 6.0:1 . . . . .  | 3.500%                      | 2.625%  | 3.125%              |                              |
| Less than or equal to 6.0:1 but more than 5.5:1 .                          | 3.500%                      | 2.500%  | 3.000%              | 2.125%                       |
| Less than or equal to 5.5:1 but more than 5.0:1 .                          | 3.500%                      | 2.250%  | 2.750%              | 2.000%                       |
| Less than or equal to 5.0:1 but more than 4.5:1 .                          | 3.250%                      | 2.000%  | 2.500%              | 1.750%                       |
| Less than or equal to 4.5:1 but more than 4.0:1 .                          | 3.250%                      | 1.750%  | 2.250%              | 1.250%                       |
| Less than or equal to 4.0:1 . . . . .                                      | 3.000%                      | 1.500%  | 2.000%              | 1.000%                       |

A commitment fee of 0.40% of the applicable margin is payable per annum on the undrawn, uncanceled portions of the Bilateral Ancillary Facility.

### *Security and Guarantees*

The Senior Credit Facilities are secured by a mortgage on certain assets (including network assets) and pledges of shares of subsidiaries, bank accounts, intellectual property rights, receivables, moveable and immovable assets, and certain assigned agreements (relating to the acquisition of the Casema Business and the @Home Business) of the Group and are guaranteed by certain of the Group’s subsidiaries.

### *Covenants*

The Senior Credit Agreement contains customary operating and financial covenants, including restrictions on each borrower and each guarantor (and where expressly provided, the subsidiaries of such borrowers or guarantors) with regard to the ability to, among other things, make acquisitions or investments, extend credit, incur indebtedness or issue guarantees, create security, dispose of assets, pay dividends, redeem share capital and reduce subordinated indebtedness.

The Senior Credit Agreement also requires compliance with the following financial covenants:

- a minimum ratio of EBITDA to total net interest payable;
- a maximum ratio of consolidated total net Borrowings to adjusted consolidated EBITDA;
- a minimum ratio of cash flow to total net debt service, which will cease to apply following a Qualifying IPO (the Offering, if completed, will constitute a Qualifying IPO);
- a maximum level of capital expenditure per year, which will cease to apply following a Qualifying IPO (the Offering, if completed, will constitute a Qualifying IPO).

**Repayment**

Loans made under the Term Loan B Facility, the Term Loan E Facility and the Term Loan F Facility are to be repaid in 2017.

Loans under the Capital Expenditure Facility are to be repaid in six equal semi-annual installments. All outstanding amounts under the Capital Expenditure Facility are to be repaid in 2013, or if earlier, the date on which the Term Loans are repaid in full.

No amounts repaid by the borrowers in respect of loans made under the Term Loans or the Capital Expenditure Facility may be re-borrowed.

Loans under the Uncommitted Revolving Credit Facility must be repaid in full in 2014. Amounts repaid by the borrowers in respect of loans made under the Uncommitted Revolving Credit Facility may be re-borrowed, subject to certain exceptions.

Loans under the Bilateral Ancillary Facility must be repaid in full in 2014. Additionally, this facility should not be drawn upon for a period of not less than seven successive days twice a calendar year. Not less than five months shall elapse between two such periods in one calendar year. Amounts repaid by the borrowers in respect of loans made under the Bilateral Ancillary Facility may be re-borrowed.

**Prepayments**

Other than in respect of the Term Loan E Facility, the Senior Credit Facilities will be immediately cancelled, and all obligations under the Senior Credit Facilities will be immediately payable in full, if, among other events, a lender becomes aware that it is unlawful for that lender to perform its obligations under the Senior Credit Agreement; there is a change of control or sale of business; or excess cash flow of more than €7.5 million has arisen during an annual accounting period, in which case a percentage of either 0%, 25% or 50% of the excess cash flow of more than €7.5 million must be applied toward prepaying amounts outstanding under the Senior Credit Agreement (other than amounts under Term Loan E Facility), depending on the ratio of consolidated total net borrowings to adjusted consolidated EBITDA, as follows:

| <u>Ratio of Consolidated Total Net Borrowings to Adjusted Consolidated EBITDA</u> | <u>Applicable Percentage</u> |
|---|------------------------------|
| Greater than 5.5:1 . . . . .  | 50%                          |
| Equal to or less than 5.5:1 but greater than 4.5:1 . . . . .                      | 25%                          |
| Equal to or less than 4.5:1 . . . . .   | 0%                           |

In addition, in the event of a flotation (including a Qualifying IPO), a percentage of either 0%, 25%, 50% or 75% of the flotation proceeds must be applied toward prepaying amounts outstanding under the Senior Credit Agreement (other than amounts under Term Loan E Facility), depending on the ratio of consolidated total net borrowings to adjusted consolidated EBITDA, as follows:

| <u>Ratio of Consolidated Total Net Borrowings to Adjusted Consolidated EBITDA</u> | <u>Applicable Percentage</u> |
|---|------------------------------|
| More than or equal to 6.0:1 . . . . .   | 75%                          |
| Less than or equal to 6.0:1 but more than or equal to 5.0:1 . . . . .             | 50%                          |
| Less than or equal to 5.0:1 but more than or equal to 4.5:1 . . . . .             | 25%                          |
| Less than 4.5:1 . . . . .   | 0%                           |

### ***Events of Default***

The Senior Credit Agreement sets out certain events of default, the occurrence of which would allow the lenders to accelerate all outstanding loans and cancel their commitments and/or declare that any amounts outstanding are immediately due and payable and/or enforce their security. The rights of Ziggo Finance B.V. as lender under the Term Loan E Facility to accelerate amounts outstanding under the Term Loan E Facility are subject to limitations. The events of default include, among other events and subject in certain cases to agreed grace periods, thresholds and other qualifications:

- non-payment of amounts due;
- breach of covenants;
- inaccuracy of a representation or statement when made, deemed to be made or repeated;
- cross defaults, including for acceleration of amounts due under the notes, and certain judgment defaults;
- invalidity or unlawfulness;
- insolvency;
- nationalization or expropriation of all or any substantial part of our assets without full market value consideration, causing material adverse effect or curtailment;
- certain security interests becoming enforceable;
- commencement of certain litigation;
- material adverse change;
- material audit qualification; and
- failure of any party (other than the lenders) to comply in any material respect with the terms of the priority agreement or the parallel priority agreement, which were entered into by ABC B.V. and certain of its subsidiaries in connection with the Senior Credit Agreement, 6½% Senior Secured Notes and 8% Senior Unsecured Notes and which set out the relative ranking of the Obligor's debt in relation to each.

### **6½% Senior Secured Notes**

On October 29, 2010, the SPV (as defined above) issued €750 million aggregate principal amount of 6½% senior secured notes due November 15, 2017 (the "6½ Senior Secured Notes"). In connection with this issuance, the SPV acceded to the Senior Credit Agreement as a lender of the €750 million Term Loan E Facility, as described above. The terms of the Senior Credit Agreement provide that, at any time a payment is due under the indenture governing the 6½ Senior Secured Notes, including principal of, or premium or interest on, the notes (including at maturity, upon an optional redemption or in connection with an offer to purchase), the Facility E Borrowers will make corresponding payments under that Term Loan E Facility to enable the SPV to make payment under the indenture governing the 6½ Senior Secured Notes, subject to the other terms of the Senior Credit Agreement.

The 6½ Senior Secured Notes are the general obligations of the SPV and are secured by a first-ranking security interest over all of the capital stock and bank accounts of the SPV and a first ranking security interest over the SPV's rights as a lender under the Facility E Term Loan.

Some or all of the 6½ Senior Secured Notes may be redeemed at any time on or after November 15, 2013 at a specified redemption price. In addition, at any time on or prior to November 15, 2013, up to 35% of the aggregate principal amount of the 6½ Senior Secured Notes may be redeemed at a specified redemption price with the net proceeds of certain equity offerings, provided that at least 65% of the originally issued aggregate principal amount of the 6½ Senior Secured Notes remains outstanding. Upon the occurrence of certain change of control events, each holder of the 6½ Senior Secured Notes may require the SPV to repurchase all or a portion of its 6½ Senior Secured Notes.

Under a separate covenant agreement, the Obligor under the Senior Credit Agreement are bound by the covenants in the indenture governing the 6½ Senior Secured Notes that are applicable to them. The rights and remedies of the holders of the 6½ Senior Secured Notes against the Obligor upon any breach by an Obligor of its obligations under the covenant agreement are limited to a right to instruct the SPV and ABC B.V. and its restricted subsidiary or the security trustee under the Senior Credit Agreement or

their respective nominees to accelerate the Facility E Term Loans and to vote in connection with any enforcement of the collateral securing the Senior Credit Agreement.

The indenture governing the 6½% Senior Secured Notes contains customary covenants that restrict the ability of the SPV to incur more debt, pay dividends and make distributions of certain other restricted payments, issue, sell or pledge capital stock, enter into transactions with affiliates, impair the security interests with respect to the collateral securing the 6½% Senior Secured Notes, create liens, dispose of assets, enter into sale and leaseback transactions, guarantee additional debt, and consolidate or merge with or into another entity.

The indenture governing the 6½% Senior Secured Notes contains customary events of default, including, among others, the non-payment of principal or interest on the 6½% Senior Secured Notes, certain failures to perform or observe other obligations under the indenture, the occurrence of certain defaults under other indebtedness, failure to pay certain indebtedness and insolvency or bankruptcy events.

### **8% Senior Unsecured Notes**

On May 7, 2010, one of our subsidiaries, Ziggo Bond Company B.V., issued €1,209 million aggregate principal amount of 8% senior unsecured notes due May 15, 2018 (the “8% Senior Unsecured Notes”). The 8% Senior Unsecured Notes are senior obligations of Ziggo Bond Company B.V. and senior subordinated obligations of certain of its subsidiaries.

If an event treated as a change of control occurs at any time, then Ziggo Bond Company B.V. must make an offer to each holder of 8% Senior Unsecured Notes to purchase such holder’s 8% Senior Unsecured Notes at a purchase price in cash in an amount equal to 101% of their aggregate principal amount, plus accrued and unpaid interest, if any, to the date of the purchase.

At any time prior to May 15, 2014, Ziggo Bond Company B.V. may redeem all or part of the 8% Senior Unsecured Notes at a redemption price equal to 100% of principal amount thereof plus accrued and unpaid interest, if any, plus an applicable redemption premium.

The indenture governing the 8% Senior Unsecured Notes contains customary covenants that restrict the ability of Ziggo Bond Company B.V. and its restricted subsidiaries to incur more debt, pay dividends and make distributions of certain other restricted payments, issue, sell or pledge capital stock, enter into transactions with affiliates, impair the security interests with respect to the collateral securing the 8% Senior Unsecured Notes, create liens, dispose of assets, enter into sale and leaseback transactions, guarantee additional debt, and consolidate or merge with or into another entity.

The indenture governing the 8% Senior Unsecured Notes contains customary events of default, including, among others, the non-payment of principal or interest on the 8% Senior Unsecured Notes, certain failures to perform or observe other obligations under the indenture, the occurrence of certain defaults under other indebtedness, failure to pay certain indebtedness and insolvency or bankruptcy events.

### **Shareholder Loans**

Our indirect parent company Even Investments 2 S.à r.l. has provided four interest-bearing loans and one non-interest bearing loan to Zesko B.V. On implementation of the Restructuring, Even Investments 2 S.à r.l. will contribute these loans to Zesko Holding B.V. Consequently, Zesko B.V. will issue shares to Zesko Holding B.V. up to an amount equal to the accrued interest on those loans, after which Zesko Holding B.V. will contribute all of its assets (including the loans but excluding the shares it holds in Zesko B.V. and the Company) and liabilities to Zesko B.V. as share premium and, as a result, the loans will be cancelled. See “Selected Financial and Operating Information—Selected Financial Information—Pro Forma Financial Information” and “Certain Relationships and Related Party Transactions—Selling Shareholders—Restructuring”.

### **ZUM B.V. Joint Venture Agreement**

In 2009, Zesko B.V. incorporated Ziggo4 B.V., which was later renamed ZUM B.V. On March 25, 2010 Zesko B.V., UPC Extra II B.V. and ZUM B.V. entered into a joint venture agreement, as amended and restated on April 15, 2010, and Zesko B.V. transferred 50% of its shares in ZUM B.V. to UPC Extra II B.V. The joint venture ZUM B.V. was established for the purposes of acquiring, holding and exploiting four mobile licenses from the Dutch government totaling 2×20 MHz in the 2.6 GHz spectrum band with a term of 20 years. On July 14, 2011 Zesko B.V. indirectly transferred (by means of various contributions down the chain of the Ziggo Group) its 50% stake in ZUM B.V. to Ziggo B.V. As a result, ZUM B.V. is now 50%



held by Ziggo B.V. and 50% held by UPC Extra II B.V. As part of that transfer, Ziggo B.V. signed a deed of adherence and is thus bound by the provisions of the joint venture agreement, as amended and restated. Note 20 of the 2011 Financial Statements incorrectly states that Zesko B.V. gained a 50% stake in ZUM B.V. in 2011. The correct statement is that Zesko B.V. incorporated ZUM B.V. (then named Ziggo4 B.V.) in 2009, transferred a 50% stake to UPC Extra II B.V. in 2010 and subsequently transferred its remaining 50% stake to Ziggo B.V. in 2011.

The management board of ZUM B.V. is authorized to represent the joint venture and consists of four managing directors, comprising two Ziggo directors and two UPC directors. In addition, the authorization to represent the joint venture accrues to one Ziggo director and one UPC director acting jointly. To establish a quorum for a meeting of the management board, at least one Ziggo director and one UPC director must be present or represented. Resolutions of the management board may be passed by a simple majority of votes cast in a meeting where at least one Ziggo director and one UPC director vote in favor of the proposals.

Pursuant to the joint venture agreement, any transfer of shares in ZUM B.V. by either Zesko B.V. or UPC Extra II B.V. must be in respect of all of the shares they hold (and not only a portion) and must be done in accordance with the applicable transfer restrictions.

### **HBO Joint Venture Agreement**

On December 21, 2011 HBO Netherlands Holdings S.R.O. and Ziggo B.V. formed a joint venture comprising HBO Nederland Coöperatief U.A. (“HBO Nederland”) and its two wholly-owned subsidiaries, HBO Netherlands Channels S.R.O. and HBO Netherlands Distribution B.V. (collectively, the “JV”). Ziggo B.V. and HBO Netherlands Holdings S.R.O. each hold a 50% interest in HBO Nederland.

The JV develops and operates new, HBO-branded pay-TV channels that will be distributed on a wholesale basis to cable, satellite, and other retail suppliers of pay-TV in the Netherlands, thereby providing consumers in the Netherlands with a new pay-TV service offering current films and exclusive television shows. HBO Nederland exclusively operates in the territory of the Netherlands.

The management board of HBO Nederland consists of four members. Day-to-day affairs of HBO Nederland are conducted by a CEO, not being a member of the management board, on the basis of a power of attorney. The CEO is also managing director of HBO Netherlands Channels S.R.O. and HBO Netherlands Distribution B.V. on the basis of the aforementioned power of attorney.

The joint venture agreement contains a time window (before the fifth anniversary of the formation of the JV) for transfer restrictions of participants in the JV and a time window (after the second anniversary but prior to the fifth anniversary of the formation of the JV) for HBO Netherlands Holdings S.R.O. in which it has an option to acquire the entire interest (but not only a portion of the interest) of Ziggo B.V. in the JV in accordance with the applicable transfer conditions.

### **MVNO Agreement**

On July 18, 2011, Ziggo B.V. entered into a mobile virtual network operator (“MVNO”) agreement with Vodafone Netherlands (“Vodafone”) pursuant to which we are permitted to offer mobile and converged services to Ziggo customers in the Netherlands using Vodafone’s mobile radio network (GSM/GPRS/UMTS/HSPA and future evolutions) during a term of four years after the commercial launch of service, which term we can extend for an additional term of two years. After these periods, the agreement automatically renews for successive one year periods, unless terminated by either party.

Vodafone provides access services for voice, SMS and data that can be used in combination with our own core network and IT infrastructure to develop and offer mobile or converged voice and data services and other IP based services. In addition to agreeing to provide standard MVNO services under the agreement, Vodafone has agreed to develop specific features that allow the introduction of convergent services, such as seamless interworking between the mobile network of Vodafone and Ziggo’s own WiFi or LTE network, and the support of high quality video and other IP services. Under the agreement, neither Ziggo nor its customers may be restricted by Vodafone as to the use of specific data or applications.

The agreement provides that an automatic pricing benchmarking mechanism (future proofing mechanism) will be used to automatically adjust the wholesale tariffs charged by Vodafone to market changes in retail pricing and usage. This is expected to secure Ziggo’s margin potential.

**Relationship Agreement**

For a description of the relationship agreement between the Company and the Selling Shareholders, see “Certain Relationships and Related Party Transactions—Relationship Agreement”.

**Underwriting Agreement**

For a description of the underwriting agreements between the Company, the Selling Shareholders and the Joint Bookrunners on behalf of the Underwriters, see “Plan of Distribution—Underwriting Arrangements”.

## THE OFFERING

### Introduction

The Offering consists of (i) a public offering to institutional and retail investors in the Netherlands, and (ii) a private placement to certain institutional investors in various other jurisdictions. The Selling Shareholders are offering 35,000,000 Offer Shares, representing 17.5% of the issued share capital of the Company after giving effect to the Restructuring.

In addition, the Over-allotment Shareholders have granted the Joint Bookrunners, on behalf of the Underwriters, the Over-allotment Option, exercisable within 30 calendar days after the First Trading Date, representing up to 2.625% of the issued share capital of the Company after giving effect to the Restructuring, pursuant to which the Joint Bookrunners, on behalf of the Underwriters, may require the Over-allotment Shareholders to sell to the Underwriters at the Offer Price the Additional Shares held by them, comprising up to 15% of the total number of Offer Shares sold in the Offering, to cover short positions resulting from any over-allotments made in connection with the Offering or stabilization transactions, if any.

The table below sets out the number of Ordinary Shares that may be allotted as part of the Offering, assuming no exercise and full exercise of the Over-allotment Option.

|                             | Number of Ordinary<br>Shares to be sold in the<br>Offering, without exercise<br>of the Over-allotment<br>Option | Number of Ordinary<br>Shares to be sold in the<br>Offering, with full exercise<br>of the Over-allotment<br>Option |
|-----------------------------|---|---|
| Offer Shares . . . . .      | 35,000,000  | 35,000,000  |
| Additional Shares . . . . . | —   | 5,250,000   |
| <b>Total</b> . . . . .      | 35,000,000  | 40,250,000  |

Neither the Offer Shares nor the Additional Shares (if any) have been or will be registered under the US Securities Act. The Offer Shares are being offered (i) within the United States, to QIBs pursuant to Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and applicable state securities laws, and (ii) outside the United States, in accordance with Regulation S.

### Timetable

The timetable below lists certain expected key dates for the Offering:

| <u>Event</u>   | <u>Time (CET) and date</u>  |
|--|-----------------------------|
| Start of Offer Period . . . . .  | 9.00 a.m. on March 9, 2012  |
| End of Offer Period . . . . .  | 4.00 p.m. on March 20, 2012 |
| Pricing . . . . .  | March 20, 2012              |
| Allocation . . . . .   | March 21, 2012              |
| First Trading Date (trading on an “if-and-when-delivered” basis) . . . . . | March 21, 2012              |
| Settlement Date . . . . .  | March 26, 2012              |

### Offer Period

Subject to acceleration or extension of the timetable for the Offering, prospective investors may subscribe for Offer Shares during the period commencing on March 9, 2012 at 9.00 a.m. CET and ending on March 20, 2012 at 4.00 p.m. CET. The Offer Period for retail and institutional investors may differ and the Joint Bookrunners may accelerate or extend the Offer Period for retail and institutional investors separately. See “—Acceleration or Extension” below. In the event of an acceleration or extension of the Offer Period, pricing, Allocation, listing and first trading and payment for and delivery of the Offer Shares may be advanced or extended accordingly.

### Acceleration or Extension

Any extension of the timetable for the Offering will be published in a press release on the Company’s website at least three hours before the end of the original Offer Period, provided that any extension will be for a minimum of one full business day. Any acceleration of the timetable for the Offering will be

published in a press release on the Company's website at least three hours before the proposed end of the accelerated Offer Period. In any event, the Offer Period will be at least six business days.

### **Offer Price and Number of Offer Shares**

The Offer Price and the actual number of Offer Shares will be determined on the basis of a book-building process. The Offer Price may be set within, above or below the Offer Price Range. The Offer Price Range is between €16.50 and €18.50 per Offer Share. The Offer Price Range is an indicative price range.

The Offer Price and the actual number of Offer Shares offered in the Offering will be determined after the Offer Period has ended by Cinven Cable Investments S.à r.l. and WP Holdings IV B.V., in consultation with the Company following recommendations from the Joint Bookrunners, taking into account market conditions and factors, including:

- the Offer Price Range;
- a qualitative assessment of demand for the Offer Shares;
- the Group's financial information;
- the history of, and prospects for, the Group and the industry in which the Group competes;
- an assessment of the Group's management, its past and present operations and the prospects for, and timing of, the Group's future revenues;
- the present state of the Group's development;
- the above factors in relation to the market valuation of companies engaged in activities similar to those of the Group;
- the economic and market conditions, including those in the debt and equity markets; and
- any other factors deemed appropriate.

The Offer Price and the actual number of Offer Shares offered in the Offering will be set out in the Pricing Statement that will be deposited with the AFM and published in a press release on the Company's website and on the website of Euronext. Printed copies of the Pricing Statement will be made available at the Company's registered office address. The Offer Price Range, which is an indicative price range, may be changed and/or the number of Offer Shares being offered may be increased or decreased. See “—Change of the Offer Price Range or Number of Offer Shares” below.

### **Change of the Offer Price Range or Number of Offer Shares**

The Offer Price Range is an indicative price range. Cinven Cable Investments S.à r.l. and WP Holdings IV B.V., in consultation with the Company, reserve the right to change the Offer Price Range and/or increase or decrease the number of Offer Shares being offered prior to the date on which Allocation takes place. Any increase in the top end of the Offer Price Range on the last day of the Offer Period or the determination of an Offer Price above the Offer Price Range will result in the Offer Period being extended by at least two business days; any increase in the top end of the Offer Price Range on the day prior to the last day of the Offer Period will result in the Offer Period being extended by at least one business day. Any such change in the Offer Price Range and/or the number of Offer Shares being offered will be published in a press release on the Company's website.

### **Subscription and Allocation**

Eligible retail investors who wish to purchase Offer Shares should instruct their financial intermediary. The financial intermediary will be responsible for collecting subscriptions from eligible retail investors and for informing the Joint Retail Bookrunners of their subscriptions. All questions concerning the timelines, validity and form of instructions to a financial intermediary in relation to the purchase of Offer Shares and, if applicable, Additional Shares, will be determined by the financial intermediaries in accordance with their usual procedures or as otherwise notified to the retail investors. The Company and the Selling Shareholders are not liable for any action or failure to act by a financial intermediary in connection with any purchase, or purported purchase, of Offer Shares and, if applicable, Additional Shares.

Allocation is expected to take place on the first business day after the end of the Offer Period. Allocations to investors who subscribed for Offer Shares will be made on a systematic basis and full discretion will be

exercised as to whether or not and how to allocate the Offer Shares subscribed for. There is no maximum number of Offer Shares for which prospective investors may subscribe. Investors may not be allocated all of the Offer Shares for which they subscribe. Any monies received in respect of subscriptions which are not accepted in whole or in part will be returned to the investors without interest and at the investors' risk. Multiple subscriptions are permitted. Ultimately, Cinven Cable Investments S.à r.l. and WP Holdings IV B.V., in consultation with the Company following recommendations from the Joint Bookrunners, will determine the number of Offer Shares to be allocated. The Joint Bookrunners may, at their own discretion and without stating the reasons, reject any subscriptions wholly or partly.

Notwithstanding the above, it is intended that eligible retail investors will benefit from preferential allocation, which may represent up to 15% of the total number of Offer Shares. See “—Preferential Retail Allocation” below. In addition, eligible employees will be able to subscribe for Offer Shares. See “—Employee Allocation” below. Apart from the Preferential Retail Allocation and the Employee Allocation, the Joint Bookrunners, Cinven Cable Investments S.à r.l., WP Holdings IV B.V. and the Company retain full flexibility to change the intended Allocation. All Offer Shares will be offered as part of a single offering, there are no separate tranches for retail investors and/or the Company's employees.

Subscriptions by eligible retail investors for the Offer Shares will only be made on a market order (*bestens*) basis. Accordingly, eligible retail investors will be bound to purchase and pay for the Offer Shares set out in their subscription and allocated to them at the Offer Price, even if the Offer Price is above the top end of the original Offer Price Range. See “—Change of the Offer Price Range or Number of Offer Shares” above. Eligible retail investors are entitled to cancel or amend their subscription with the financial intermediary to whom their original subscription was submitted at any time prior to the end of the Offer Period (if applicable, as amended or extended). Such cancellations or amendments may be subject to the terms of the financial intermediary involved.

Investors participating in the Offering will be deemed to have checked and confirmed that they meet the selling and transfer restrictions described in “Selling and Transfer Restrictions”. Each investor should consult his/her own advisers as to the legal, tax, business, financial and related aspects of a purchase of Ordinary Shares.

On the date that Allocation occurs, ABN AMRO Bank N.V., as Retail Banks Coordinator, on behalf of the Underwriters, will communicate to the members of Euronext the aggregate number of Offer Shares allocated to their respective retail investors. It is up to the members of Euronext to notify retail investors of their individual allocations. The Joint Bookrunners will communicate to institutional investors the number of Offer Shares allocated to them on the date that Allocation occurs.

If a significant new factor, material mistake or inaccuracy relating to the information included in this Prospectus which is capable of affecting the assessment of the Offer Shares or Additional Shares arises or is noted prior to the end of the Offer Period, a supplement to this Prospectus will be published and investors who have already agreed to purchase Offer Shares may withdraw their subscriptions within two business days following the date of publication of the supplement.

### **Preferential Retail Allocation**

Each eligible retail investor in the Netherlands will be allocated the first 300 (or fewer) Offer Shares for which he/she subscribes, provided that if the total number of Offer Shares allocated to eligible retail investors under the Preferential Retail Allocation would exceed 15% of the total number of Offer Shares, the preferential allocation of Offer Shares to each eligible retail investor may be reduced pro rata to the first 300 (or fewer) Offer Shares for which such investor subscribes. As a result, eligible retail investors may not be allocated all of the first 300 (or fewer) Offer Shares for which they subscribe. The exact number of Offer Shares allocated to eligible retail investors will be determined after the Offer Period has ended.

The Preferential Retail Allocation will only be made in relation to Offer Shares comprising up to 15% of the total number of Offer Shares. Cinven Cable Investments S.à r.l., WP Holdings IV B.V., the Company and the Joint Bookrunners have full discretion as to whether or not and how to allocate the remainder of the Offer Shares subscribed for.

For the purpose of the Preferential Retail Allocation, an eligible retail investor is either:

- (a) a natural person resident in the Netherlands which also includes employees of the Group resident in the Netherlands (including those otherwise benefiting from the Employee Allocation); or



- (b) a special investment vehicle having its seat in the Netherlands which is a legal entity established for the express and sole purpose of providing asset management and/or retirement planning services for a natural person.

To be eligible for the Preferential Retail Allocation, investors must place their subscriptions during the period commencing on March 9, 2012 at 9.00 a.m. CET and ending on March 20, 2012 at 4.00 p.m. CET with ABN AMRO Bank N.V., Rabobank International or any other member of Euronext that has agreed to the conditions set by ABN AMRO Bank N.V. and Rabobank International in their capacity as Joint Retail Bookrunners applicable to the acceptance of share application.

The Preferential Retail Allocation is separate from the Employee Allocation and the maximum size of 15% of the Preferential Retail Allocation does not include the Employee Allocation.

### **Employee Allocation**

In conjunction with the Offering, any person who has an employment agreement with a Ziggo Group company, either for a fixed term or for an indefinite period, as of March 1, 2012, will receive a one-time bonus. The amount of an employee's bonus is determined by reference to his/her gross monthly salary and the length of his/her employment. At the employee's discretion, he/she can choose to have the bonus paid out in cash, to have it reserved (in accordance with company policy) or to use it to subscribe for Offer Shares in the Offering. To encourage employee participation in the Offering, the gross amount of an employee's bonus will be multiplied by 1.2 if that employee chooses to use his/her bonus to subscribe for Offer Shares (in which case the net amount of such bonus will be applied towards subscribing for Offer Shares).

Assuming that all employees choose to use their bonuses to subscribe for Offer Shares, the gross amount to be paid by the Company will amount to approximately €14.3 million. Offer Shares subscribed for by and allocated to employees under the Employee Allocation are to be held in a central custody account, in the name of the Company, with ABN AMRO Bank N.V., until the expiry of a lock-up period of 180 days. Employees who have subscribed for and have been allocated Offer Shares can after the lock-up period choose to have the Offer Shares transferred to their own securities account or to be paid an amount in cash. If an employee does not make a choice, the employee will be paid an amount in cash. Where an employee receives or elects to receive an amount in cash rather than Offer Shares, the Company will sell the Offer Shares on behalf of the relevant employee and the employee will then receive the sale proceeds (less any applicable taxes and fees arising from such sale). After the expiry of the lock-up period, the Company will cease to play a role in the administration of Offer Shares subscribed for and allocated to employees and will close the central custody account.

To be eligible for the Employee Allocation, employees must place their subscriptions during the period commencing on March 9, 2012 at 9.00 a.m. CET and ending on March 19, 2012 at 5.00 p.m. CET with the Company, which will in turn inform ABN AMRO Bank N.V. (in its capacity as subscription agent for the Employee Allocation) about the total number of Offer Shares subscribed for.

Members of our Management Board and of our Supervisory Board, our vice presidents and three of our directors do not qualify for the Employee Allocation.

Employees subscribing for Offer Shares under the Employee Allocation will be allocated all of the Offer Shares for which they subscribe. For any additional subscriptions outside the Employee Allocation, employees will be subject to the same preferential allocation mechanism as other retail investors, see "—Preferential Retail Allocation" above.

The Employee Allocation is separate from the Preferential Retail Allocation and the maximum size of 15% of the Preferential Retail Allocation does not include the Employee Allocation.

### **Payment**

Payment for the Offer Shares, and payment for the Additional Shares pursuant to the Over-allotment Option, if such option has been exercised prior to the Settlement Date, is expected to take place on the Settlement Date. The Offer Price must be paid in full in euro and is exclusive of any taxes and expenses, if any, which must be borne by the investor. Retail investors may be charged expenses by their financial intermediary. For more information on taxes, see "Taxation". The Offer Price must be paid by retail investors in cash upon remittance of their subscription or, alternatively, by authorizing their financial intermediary to debit their bank account with such amount on or about the Settlement Date (or earlier in

the case of an early closing of the Offer Period and consequent acceleration of pricing, Allocation, first trading and payment and delivery).

### **Delivery, Clearing and Settlement**

The Ordinary Shares are registered shares which will be entered into the collection deposit (*verzameldepot*) and giro deposit (*girodepot*) on the basis of the Dutch Securities Giro Act. Application has been made for the Ordinary Shares to be accepted for delivery through the book-entry facilities of Euroclear Nederland. Euroclear Nederland is located at Herengracht 459-469, 1017 BS Amsterdam, the Netherlands. Delivery of the Offer Shares, and of the Additional Shares pursuant to the Over-allotment Option, if such option has been exercised prior to the Settlement Date, is expected to take place on the Settlement Date through the book-entry facilities of Euroclear Nederland, in accordance with its normal settlement procedures applicable to equity securities and against payment for the Offer Shares and, if applicable, the Additional Shares, in immediately available funds.

Subject to acceleration or extension of the timetable for the Offering, the Settlement Date is expected to be March 26, 2012, the third business day following the First Trading Date (T+3). The closing of the Offering may not take place on the Settlement Date or at all if certain conditions or events referred to in the Underwriting Agreement are not satisfied or waived on or prior to such date. Such conditions include: (i) entry into the pricing agreement between the Company, the Selling Shareholders and the Joint Bookrunners on behalf of the Underwriters, which will contain the Offer Price (the “Pricing Agreement”), (ii) receipt of opinions on certain legal matters from counsel, (iii) receipt of customary officers’ certificates, (iv) the absence of a suspension of trading on Euronext Amsterdam or certain other markets, (v) the absence of a material adverse change in the Company’s financial conditions or business affairs or in the financial markets and (vi) certain other conditions. See “Plan of Distribution—Underwriting Arrangements”.

There are certain restrictions on the transfer of the Ordinary Shares, as detailed in “Selling and Transfer Restrictions”.

### **Listing and Trading**

Prior to the Offering, there has been no public market for the Ordinary Shares. Application has been made to list all of the Ordinary Shares on Euronext Amsterdam under the symbol “ZIGGO”. The ISIN (International Security Identification Number) is NL0006294290 and the common code is 075557841.

Subject to acceleration or extension of the timetable for the Offering, trading in the Ordinary Shares on Euronext Amsterdam is expected to commence on the First Trading Date. Trading in the Ordinary Shares before the closing of the Offering will take place on an “if-and-when-delivered” basis. The closing of the Offering may not take place on the Settlement Date or at all if certain conditions or events referred to in the Underwriting Agreement are not satisfied or waived or occur on or prior to such date. See “Plan of Distribution—Underwriting Arrangements”. If the closing of the Offering does not take place on the Settlement Date or at all, the Offering will be withdrawn, all subscriptions will be disregarded, any allotments made will be deemed not to have been made, any payments made will be returned without interest or other compensation and transactions in the Ordinary Shares on Euronext Amsterdam may be annulled. All dealings in the Ordinary Shares prior to settlement and delivery are at the sole risk of the parties concerned.

The Underwriters, the Company, the Selling Shareholders, the Listing Agent and Euronext do not accept any responsibility or liability for any loss incurred by any person as a result of a withdrawal of the Offering or the related annulment of any transactions in Ordinary Shares on Euronext Amsterdam.

### **Listing Agent and Paying Agent**

ABN AMRO Bank N.V. is acting as listing agent with respect to the listing of the Ordinary Shares on Euronext Amsterdam and is also acting as paying agent for the Ordinary Shares in the Netherlands. The address of ABN AMRO Bank N.V. is Gustav Mahlerlaan 10, 1082 PP Amsterdam, the Netherlands.

### **Underwriters’ Compensation**

In consideration of the agreement by the Underwriters to procure purchasers for or, failing which, to purchase themselves the Offer Shares, and, if applicable, the Additional Shares, at the Offer Price and subject to the Offer Shares being sold as provided for in the Underwriting Agreement, the Selling

Shareholders have agreed to pay to the Underwriters certain selling, underwriting and management commissions of 1.50% of the product of the Offer Price and the aggregate number of Offer Shares and Additional Shares, if any. In addition, at the sole discretion of Cinven Cable Investments S.à r.l. and WP Holdings IV B.V., and after consultation with the Company, the Selling Shareholders may pay a discretionary commission of up to 1.50% of the product of the Offer Price and the aggregate number of Offer Shares and Additional Shares, if any. Such consultation with the Company shall be exclusively for informal purposes and shall not be construed as a requirement to seek the consent of the Company.

### **Proceeds**

The Selling Shareholders will receive the net proceeds from the Offering and, if the Over-allotment Option is exercised, the net proceeds from the sale of the Additional Shares. The proceeds received by the Selling Shareholders will be entirely at their disposition. The Company will not receive any proceeds from the Offering.

### **Fees and Expenses**

The Company's estimated fees, costs and expenses in relation to the Offering (excluding underwriters' commissions, which are to be borne by the Selling Shareholders) are as follows:

- (i) Gross expenses of up to approximately €14.3 million in relation to the one-time bonus for employees who participate in the Offering, assuming all employees choose to use their bonuses to subscribe for Offer Shares (see "The Offering—Employee Allocation"); and
- (ii) Other fees, costs and expenses, such as listing fees, professional fees and expenses, costs of printing and distribution of documents and marketing costs of approximately €14.0 million, of which the Selling Shareholders are liable for approximately €6.1 million (excluding VAT) and the Company is liable for approximately €7.9 million (excluding VAT). The Company accounted for €3.9 million of this amount in 2011.

In addition, the Company will record costs in relation to the grant of shares by Cinven Cable Investments S.à r.l. and WP Holdings IV B.V. to certain individuals in connection with the Offering (see footnote 2 to the second table under "Management, Supervisory Board and Employees—Shareholdings" on page 125).

These fees, costs and expenses will be excluded from our adjusted net income.

## PLAN OF DISTRIBUTION

### Underwriting Arrangements

On March 9, 2012 the Company, Zesko B.V., Cinven Cable Investments S.à r.l., WP Holdings IV B.V., the Management Selling Shareholders and the Joint Bookrunners on behalf of the Underwriters will enter into an underwriting agreement and the other Selling Shareholders and the Joint Global Coordinators on behalf of the Underwriters will enter into a co-investor underwriting agreement (together, the “Underwriting Agreement”).

Under the terms and subject to the conditions set forth in the Underwriting Agreement, the Underwriters have severally agreed to procure purchasers for or, failing which, to purchase themselves, and the Selling Shareholders have agreed to sell to purchasers procured by the Underwriters or, failing which, to the Underwriters themselves, the Offer Shares. The proportion of Offer Shares which each Underwriter may severally be required to purchase is indicated below.

| <u>Underwriters</u>  | <u>Percentage of Total Offer Shares</u> |
|--|---|
| J.P. Morgan Securities Ltd. . . . .                          | 19.25%                                  |
| Morgan Stanley & Co. International plc . . . . .             | 23.00%                                  |
| Deutsche Bank AG, London Branch . . . . .                    | 13.50%                                  |
| UBS Limited . . . . .  | 13.50%                                  |
| ABN AMRO Bank N.V. . . . .                                   | 5.50%                                   |
| Coöperatieve Centrale Raiffeisen-Boerenleenbank B.A. . . . . | 5.50%                                   |
| HSBC Bank Plc . . . . .                                      | 8.00%                                   |
| Nomura International plc . . . . .                           | 8.75%                                   |
| Société Générale . . . . .                                   | 3.00%                                   |
| <b>Total</b> . . . . .                                       | <b>100.00%</b>                          |

The Underwriting Agreement provides that the obligations of the Underwriters to procure purchasers for or, failing which, to purchase themselves the Offer Shares, and, if applicable, the Additional Shares, are subject to: (i) entry into the Pricing Agreement between the Company, the Selling Shareholders and the Joint Bookrunners on behalf of the Underwriters, which will contain the Offer Price, (ii) receipt of opinions on certain legal matters from counsel, (iii) receipt of customary officers’ certificates, (iv) the absence of a suspension of trading on Euronext Amsterdam or certain other markets, (v) the absence of a material adverse change in the Company’s financial conditions or business affairs or in the financial markets and (vi) certain other conditions.

In consideration of the agreement by the Underwriters to procure purchasers for or, failing which, to purchase themselves the Offer Shares and, if applicable, the Additional Shares, at the Offer Price and subject to the Offer Shares being sold as provided for in the Underwriting Agreement, the Selling Shareholders have agreed to pay to the Underwriters certain selling, underwriting and management commissions of 1.50% of the product of the Offer Price and the aggregate number of Offer Shares and Additional Shares, if any. In addition, at the sole discretion of Cinven Cable Investments S.à r.l. and WP Holdings IV B.V., and after consultation with the Company, the Selling Shareholders may pay a discretionary commission of up to 1.50% of the product of the Offer Price and the aggregate number of Offer Shares and Additional Shares, if any. Such consultation with the Company shall be exclusively for informal purposes and shall not be construed as a requirement to seek the consent of the Company.

The Company and the Selling Shareholders have been advised by the Underwriters that the Underwriters propose to offer the Offer Shares and, if applicable, the Additional Shares, subject to the entry into of the Pricing Agreement. The Offering will comprise (i) a public offering to institutional and retail investors in the Netherlands and (ii) a private placement to certain institutional investors in various other jurisdictions. The retail offer and employee offer will have a preferential allocation. See “The Offering”.

The Offering is made: (i) within the United States, to QIBs pursuant to Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and applicable state securities laws; and (ii) outside the United States, in accordance with Regulation S. Neither the Offer Shares nor the Additional Shares have been or will be registered under the US Securities Act and may not be offered or sold within the United States except as described in the immediately preceding sentence.

Any offer and sale in the United States will be made by affiliates of the Underwriters who are broker dealers registered under the US Exchange Act of 1934, as amended (the “US Exchange Act”).

### **Over-allotment and Stabilization**

In connection with the Offering, J.P. Morgan Securities Ltd. as Stabilization Agent, or its agents, on behalf of the Underwriters, may, to the extent permitted by applicable laws, over-allot Ordinary Shares or effect transactions with a view to supporting the market price of the Ordinary Shares, or any options, warrants or rights with respect to, or other interests in, the Ordinary Shares, if any, or other securities of the Company. These activities may raise or maintain the market price of the Ordinary Shares above independent market levels or prevent or retard a decline in the market price of the Ordinary Shares. Such transactions may be effected on Euronext Amsterdam, in the over-the-counter markets or otherwise. The Stabilization Agent and its agents are not required to engage in any of these activities and, as such, there is no assurance that these activities will be undertaken. Such stabilization, if commenced, may be discontinued at any time and must be brought to an end within 30 days after the First Trading Date. Save as required by law or regulation, the Stabilization Agent does not intend to disclose the extent of any stabilization transactions under the Offering. The Stabilization Agent may, for stabilization purposes, over-allot Ordinary Shares up to a maximum of 15% of the total number of Offer Shares sold in the Offering.

None of the Company, the Selling Shareholders or any of the Underwriters makes any representation or prediction as to the direction or the magnitude of any effect that the transactions described above may have on the price of the Ordinary Shares. In addition, none of the Company, the Selling Shareholders or any of the Underwriters makes any representation that the Stabilization Agent will engage in these transactions or that these transactions, once commenced, will not be discontinued without notice.

### **Lock-up Arrangements**

Pursuant to the Underwriting Agreement, the Company, the Management Selling Shareholders and the other Selling Shareholders (including the co-investors in Dutch Cable Limited Partnership that will, shortly after the closing of the Offering, start holding their interest in the Company directly) have agreed with the Underwriters that, for a period of 365 days (in respect of the Management Selling Shareholders, excluding the Former Management Selling Shareholders) and 180 days (in respect of the Company and the other Selling Shareholders, including the Former Management Selling Shareholders) after the Settlement Date, they will not, subject to certain customary exceptions, without the prior consent of a majority of the Joint Bookrunners, offer, pledge, sell, contract to sell, sell any option or contract to purchase, purchase any option or contract to sell, grant any option right or warrant to purchase, lend or otherwise transfer or dispose of, directly or indirectly, any Ordinary Shares or any securities exchangeable for or convertible into or exercisable for Ordinary Shares, or enter into any swap or other agreement that transfers, in whole or in part, any of the economic consequences of ownership of the Ordinary Shares, whether any such transactions are to be settled by delivery of the Ordinary Shares or other securities, in cash or otherwise. In addition, any Offer Shares subscribed for under the Employee Allocation will be subject to a lock-up obligation of 180 days after the Settlement Date. See “The Offering—Employee Allocation”.

### **General**

Certain of the Underwriters and/or their respective affiliates have in the past engaged and may in the future, from time to time, engage in commercial banking, investment banking and financial advisory and ancillary activities in the ordinary course of their business with the Company or the Selling Shareholders or any parties related to any of them, in respect of which they have received and may in the future receive customary fees and commissions. Certain of the Underwriters or their respective affiliates currently hold beneficial interests, in each case not greater than 5%, in Dutch Cable Limited Partnership, which is a Selling Shareholder in this Offering. As a result of these transactions, these parties may have interests that may not be aligned, or could possibly conflict with, the interests of investors. In addition, in connection with the Offering, each of the Underwriters and any of its affiliates acting as an investor for its own account may take up the Offer Shares and Additional Shares (if any) and, in that capacity, may retain, purchase or sell for its own account such securities and any securities of the Company or related investments, and may offer or sell such securities or other investments otherwise than in connection with the Offering. Accordingly, references in this Prospectus to the Offer Shares or the Additional Shares being offered or placed should be read as including any offering or placement of securities to any of the Underwriters and any affiliate acting in such capacity. The Underwriters do not intend to disclose the extent of any such investment or transaction otherwise than in accordance with any legal or regulatory obligation to do so.



Prior to the Offering, there has been no public market for the Ordinary Shares. The Offer Price, which may be set within, above or below the Offer Price Range, which is an indicative price range, and the exact number of Offer Shares and, if applicable, Additional Shares, will be determined by Cinven Cable Investments S.à r.l. and WP Holdings IV B.V., in consultation with the Company following recommendations from the Joint Bookrunners, taking into account market conditions and other factors. See “The Offering—Offer Price and Number of Offer Shares”.

## SELLING AND TRANSFER RESTRICTIONS

### NOTICE TO INVESTORS

The offering of the Offer Shares to persons resident in, or who are citizens of, a particular jurisdiction may be affected by the laws of that jurisdiction. Investors should consult their professional adviser as to whether they require any governmental or any other consent or need to observe any other formalities to enable the investor to accept, sell or purchase Offer Shares. No action has been or will be taken to permit a public offering of the Offer Shares in any jurisdiction outside the Netherlands. Receipt of this Prospectus will not constitute an offer in those jurisdictions in which it would be illegal to make an offer and, in those circumstances, this Prospectus will be sent for informational purposes only and should not be copied or redistributed.

If an investor receives a copy of this Prospectus, the investor may not treat this Prospectus as constituting an invitation or offer to the investor of the Offer Shares and, if applicable, the Additional Shares, unless, in the relevant jurisdiction, such an offer could lawfully be made to the investor, or the Offer Shares could lawfully be dealt in without contravention of any unfulfilled registration or other legal requirements. Accordingly, if the investor receives a copy of this Prospectus or any other offering materials or advertisements, the investor should not distribute the same in or into, or send the same to any person in, or any jurisdiction where to do so would or might contravene local securities laws or regulations.

If an investor forwards this Prospectus or any other offering materials or advertisements into any such territories (whether under a contractual or legal obligation or otherwise) the investor should draw the recipient's attention to the contents of this section.

Subject to the specific restrictions described below, investors (including, without limitation, any investor's nominees and trustees) wishing to accept, sell or purchase Offer Shares must satisfy themselves as to full observance of the applicable laws of any relevant territory including obtaining any requisite governmental or other consents, observing any other requisite formalities and paying any issue, transfer or other taxes due in such territories.

Investors that are in any doubt as to whether they are eligible to purchase Offer Shares should consult their professional adviser without delay.

#### European Economic Area

In relation to each member state of the European Economic Area which has implemented the Prospectus Directive (each, a "Relevant Member State") no Ordinary Shares have been offered or will be offered pursuant to the Offering to the public in that Relevant Member State, except (i) in the Netherlands once the Prospectus has been approved by the AFM and published in accordance with the Prospectus Directive and the relevant provisions of the Dutch Financial Supervision Act, and (ii) in that Relevant Member State at any time under the following exemptions under the Prospectus Directive, if they are implemented in that Relevant Member State:

- (a) to legal entities which are qualified investors as defined in the Prospectus Directive;
- (b) by the Underwriters to fewer than 100 (or, if the Relevant Member State has implemented the relevant provision of Directive 2010/73/EU, 150) natural or legal persons (other than qualified investors as defined in the Prospectus Directive) subject to obtaining the prior consent of the Joint Bookrunners; or
- (c) in any other circumstances which do not require the publication by the Company or any Underwriter of a prospectus pursuant to Article 3 of the Prospectus Directive,

provided that no such offer of Ordinary Shares shall result in a requirement for the publication of a prospectus pursuant to Article 3 of the Prospectus Directive or any measure implementing the Prospectus Directive in a Relevant Member State.

For the purpose of the expression an "offer of any Ordinary Shares to the public" in relation to any Ordinary Shares in any Relevant Member State means a communication to persons in any form and by any means presenting sufficient information on the terms of the offer and the Ordinary Shares to be offered, so as to enable an investor to decide to acquire any Ordinary Shares, as that definition may be varied in that Relevant Member State by any measure implementing the Prospectus Directive.

In the case of any Ordinary Shares being offered to a financial intermediary as that term is used in Article 3(2) of the Prospectus Directive, such financial intermediary will also be deemed to have represented, acknowledged and agreed that the Ordinary Shares acquired by it in the Offering have not been acquired on a non-discretionary basis on behalf of, nor have they been acquired with a view to their offer or resale to, persons in circumstances which may give rise to an offer of any Ordinary Shares to the public other than their offer or resale in a Relevant Member State to qualified investors as so defined or in circumstances in which the prior consent of the Joint Bookrunners has been obtained to each such proposed offer or resale. The Company, the Selling Shareholders, the Underwriters and their affiliates, and others will rely upon the truth and accuracy of the foregoing representation, acknowledgement and agreement. Notwithstanding the above, a person who is not a qualified investor and who has notified the Underwriters of such fact in writing may, with the prior consent of the Joint Bookrunners, be permitted to acquire Ordinary Shares in the Offering.

### **United States**

The Offer Shares and, if applicable, the Additional Shares, have not been and will not be registered under the US Securities Act and may not be offered or sold within the United States, except pursuant to Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and applicable state securities laws.

Each purchaser of the Offer Shares outside the United States will, pursuant to Regulation S, be deemed to have represented and agreed that it has received a copy of the Prospectus and such other information as it deems necessary to make an informed investment decision and that:

- the purchaser acknowledges that the Offer Shares have not been and will not be registered under the US Securities Act, or with any securities regulatory authority of any state of the United States, and are subject to significant restrictions on transfer;
- the purchaser and the person, if any, for whose account or benefit the purchaser is acquiring the Offer Shares, were located outside the United States at the time the buy order for such Shares was originated and continue to be located outside the United States and has not purchased the Offer Shares for the benefit of any person in the United States or entered into any arrangement for the transfer of the Offer Shares to any person in the United States;
- the purchaser is aware of the restrictions on the offer and sale of the Offer Shares pursuant to Regulation S as described in this Prospectus; and
- the Offer Shares have not been offered to it by means of any “directed selling efforts” as defined in Regulation S.

Each purchaser of the Offer Shares within the United States pursuant to Rule 144A will be deemed to have represented and agreed that it has received a copy of the Prospectus and such other information as it deems necessary to make an informed investment decision and that:

- the purchaser acknowledges that neither the Offer Shares nor the Additional Shares have been and/or will be registered under the US Securities Act or with any securities regulatory authority of any state of the United States and are subject to significant restrictions on transfer;
- the purchaser (i) is a QIB (as defined in Rule 144A), (ii) is aware that the sale to it is being made in reliance on Rule 144A or another exemption from, or in a transaction not subject to, the registration requirements of the US Securities Act and (iii) is acquiring such Offer Shares for its own account or for the account of a QIB;
- the purchaser is aware that the Offer Shares are being offered in the United States in a transaction not involving any public offering in the United States within the meaning of the US Securities Act;
- if, in the future, the purchaser decides to offer, resell, pledge or otherwise transfer such Offer Shares, such Offer Shares may be offered, sold, pledged or otherwise transferred only (i) to a person whom the beneficial owner and/or any person acting on its behalf reasonably believes is a QIB in a transaction meeting the requirements of Rule 144A, (ii) in accordance with Regulation S, or (iii) in accordance with Rule 144 (if available), in each case in accordance with any applicable securities laws of any state of the United States or any other jurisdiction;

- the Offer Shares are “restricted securities” within the meaning of Rule 144(a)(3) and no representation is made as to the availability of the exemption provided by Rule 144 for resales of any such Offer Shares; and
- the purchaser will not deposit or cause to be deposited such Offer Shares into any depository receipt facility established or maintained by a depository bank other than a Rule 144A restricted depository receipt facility, so long as such Offer Shares are “restricted securities” within the meaning of Rule 144(a)(3).

### **Australia**

No prospectus or other disclosure document has been lodged with, or registered by the Australian Securities and Investments Commission in relation to the offering of the Offer Shares. This Prospectus does not constitute a prospectus or other disclosure document under the Corporations Act 2001 (the “Corporations Act”) and does not purport to include the information required for a prospectus or other disclosure document under the Corporations Act.

This document is being distributed in Australia by the Underwriters to persons (the “Exempt Investors”) who are “sophisticated investors” (within the meaning of section 708(8) of the Corporations Act, to “professional investors” (within the meaning of section 708(11) of the Corporations Act) and/or otherwise pursuant to one of more exemptions contained in section 708 of the Corporations Act. The entity receiving this document represents and warrants that if it is in Australia, it is either a professional or a sophisticated investor or a person to whom it is lawful to offer the Offer Shares without disclosure to investors under Chapter 6D of the Corporations Act and that it will not distribute this document to any other person.

The Offer Shares applied for by Exempt Investors in Australia must not be offered for sale in Australia for 12 months from the date of issue, except in circumstances where disclosure to investors under Chapter 6D of the Corporations Act would not be required pursuant to an exemption under section 708 or 708A of the Corporations Act. This document is not supplied in connection with any offering or proposed offering of securities or financial products that require disclosure in accordance with Chapter 6D or Part 7.9 of the Corporations Act. Chapters 6D and 7 of the Corporations Act are complex. Any person acquiring Offer Shares must observe such Australian on-sale restrictions and if in any doubt as to the application or effect of this legislation, should confer with its professional advisors.

### **United Kingdom**

This Prospectus and any other material in relation to the Offer Shares described herein is only being distributed to, and is only directed at, persons in the United Kingdom who are “qualified investors” or otherwise in circumstances which do not require publication by the Issuer of a prospectus pursuant to section 85(1) of the UK Financial Services and Markets Act 2000.

Any investment or investment activity to which this Prospectus relates is available only to, and will be engaged in only with, investment professionals falling within Article 19(5), or high net worth entities falling within Article 49(2), of the UK Financial Services and Markets Act 2000 (Financial Promotion) Order 2005 or other persons to whom such investment or investment activity may lawfully be made available (together, “relevant persons”). Persons who are not relevant persons should not take any action on the basis of this Prospectus and should not act or rely on it.

## TAXATION

### Dutch Tax Considerations

The following summary outlines certain Dutch tax consequences in connection with the acquisition, ownership and disposal of the Ordinary Shares. The summary does not purport to present any comprehensive or complete picture of all Dutch tax aspects that could be of relevance to the acquisition, ownership and disposal of Ordinary Shares by a (prospective) holder of Ordinary Shares who may be subject to special tax treatment.

For purposes of Dutch personal income tax and corporate income tax, Ordinary Shares legally owned by a third party such as a trustee, foundation or similar entity or arrangement (a “Third Party”), may under certain circumstances have to be allocated to the (deemed) settlor, grantor or similar originator (the “Settlor”) or, upon the death of the Settlor, his/her beneficiaries (the “Beneficiaries”) in proportion to their entitlement to the estate of the Settlor of such trust or similar arrangement (the “Separated Private Assets”).

The summary does not address the tax consequences of a holder of Ordinary Shares who is an individual and who has a substantial interest in the Company. Generally, a holder of Ordinary Shares will have a substantial interest (*aanmerkelijk belang*) in the Company if he, whether alone or together with his partner (statutorily defined term) and/or certain other close relatives, holds directly or indirectly, or as Settlor or Beneficiary of Separated Private Assets:

- (a) (i) the ownership of, (ii) certain other rights, such as usufruct, over, or (iii) rights to acquire (whether or not already issued), Ordinary Shares representing 5% or more of the total issued and outstanding capital (or the issued and outstanding capital of any class of shares) of the Company; or
- (b) (i) the ownership of, or (ii) certain other rights, such as usufruct over, profit participating certificates (*winstbewijzen*) that relate to 5% or more of the annual profit of the Company or to 5% or more of the liquidation proceeds of the Company.

In addition, a holder of Ordinary Shares has a substantial interest in the Company if he, whether alone or together with his partner (statutorily defined term) and/or certain other close relatives, has the ownership of, or other rights over, shares in, or profit certificates issued by, the Company that represent less than 5% of the relevant aggregate that either (a) qualified as part of a substantial interest as set forth above and where shares, profit certificates and/or rights there over have been, or are deemed to have been, partially disposed of, or (b) have been acquired as part of a transaction that qualified for non-recognition of gain treatment.

The summary does not address the tax consequences of holders of Ordinary Shares receiving income or realizing capital gains in their capacity as (former) employee, (former) director and/or (former) supervisory director.

The summary is based on the tax laws and practice of the Netherlands as in effect on the date of this Prospectus, which are subject to changes that could prospectively or retrospectively affect the stated tax consequences. The Netherlands means the part of the Kingdom of the Netherlands located in Europe.

**Prospective holders of Ordinary Shares should consult their own professional adviser with respect to the tax consequences of any acquisition, ownership or disposal of the Ordinary Shares in their individual circumstances.**

### *Dividend Withholding Tax*

#### *General*

The Company is generally required to withhold dividend withholding tax imposed by the Netherlands at a rate of 15% on dividends distributed by the Company in respect of the Ordinary Shares. The expression “dividends distributed by the Company” as used herein includes, but is not limited to:

- (a) distributions in cash or in kind, deemed and constructive distributions and repayments of paid-in capital (*gestort kapitaal*) not recognized for Dutch dividend withholding tax purposes;
- (b) liquidation proceeds, proceeds of redemption of Ordinary Shares or, as a rule, consideration for the repurchase of Ordinary Shares by the Company in excess of the average paid-in capital recognized for Dutch dividend withholding tax purposes;



- (c) the par value of Ordinary Shares issued to a holder of Ordinary Shares or an increase of the par value of Ordinary Shares, to the extent that it does not appear that a contribution, recognized for Dutch dividend withholding tax purposes, has been made or will be made; and
- (d) partial repayment of paid-in capital, recognized for Dutch dividend withholding tax purposes, if and to the extent that there are net profits (*zuivere winst*), unless (i) the general meeting of shareholders has resolved in advance to make such repayment and (ii) the par value of the Ordinary Shares concerned has been reduced by an equal amount by way of an amendment of the articles of association.

#### *Holders of Ordinary Shares Resident in the Netherlands*

A holder of Ordinary Shares that is resident or deemed to be resident in the Netherlands or, if he is an individual, who has elected to be taxed as resident in the Netherlands for Dutch personal income tax purposes, is generally entitled, subject to the anti-dividend stripping rules described below, to a full credit against its (corporate) income tax liability, or a full refund, of the Dutch dividend withholding tax.

#### *Holders of Ordinary Shares Resident Outside the Netherlands*

A holder of Ordinary Shares that is resident in a country with which the Netherlands has a double taxation agreement in effect, may, depending on the terms of such double taxation agreement and subject to the anti-dividend stripping rules described below, be eligible for a full or partial exemption from, or full or partial refund of, Dutch dividend withholding tax on dividends received. In particular:

- (a) a corporate holder of Ordinary Shares, which is (i) resident in (A) a Member State of the European Union, or (B) Iceland, Norway or Liechtenstein, and (ii) that is in its state of residence under the terms of a double taxation agreement concluded with a third state, not considered to be resident for tax purposes outside the European Union, Iceland, Norway and Liechtenstein, is generally entitled, subject to the anti-dividend stripping rules described below, to a full exemption from Dutch dividend withholding tax on dividends received if it holds an interest of at least 5% (in Ordinary Shares or, in certain cases, in voting rights) in the Company or if it holds an interest of less than 5% where a Dutch holder of shares would have had the benefit of the participation exemption (this may include a situation where another related party holds an interest of 5% or more in the Company);
- (b) a holder of Ordinary Shares, that is a legal entity resident in (i) a Member State of the European Union, (ii) Iceland, Norway or Liechtenstein, or (iii) a jurisdiction which has an arrangement for the exchange of tax information with the Netherlands (and such holder as described under (iii) generally is a qualifying holder if it holds its Ordinary Shares as a portfolio investment, i.e. such holding is not acquired with a view to the establishment or maintenance of lasting and direct economic links between the holder of Ordinary Shares and the Company and does not allow the holder of Ordinary Shares to participate effectively in the management or control of the Company), which is exempt from tax in its country of residence, and that would have been exempt from Dutch corporate income tax if it had been a Dutch resident, is generally entitled, subject to the anti-dividend stripping rules described below, to a full refund of Dutch dividend withholding tax on dividends received. This full refund will in general benefit certain pension funds, government agencies, and certain government controlled commercial entities; and
- (c) (i) U.S. resident corporate holders of Ordinary Shares that are eligible for benefits under the Convention between the Kingdom of the Netherlands and the United States of America for the avoidance of Double Taxation and the Prevention of Fiscal Evasion with respect to Taxes and Income, dated December 18, 1992, as most recently amended by the protocol of March 8, 2004 (the “U.S. Tax Treaty”) generally are entitled to a reduced dividend withholding tax rate of 5% in the case such holder directly holds at least 10% of the Company’s total voting power, and (ii) certain U.S. pension funds and tax-exempt organizations may qualify for a full exemption from Dutch dividend withholding tax under the US Tax Treaty. U.S. resident holders of Ordinary Shares that qualify under the U.S. Tax Treaty for a reduction of, or exemption from, dividend withholding tax may be able to claim an exemption or reduction at source subject to providing the proper forms, certificates and/or statements.

#### *Anti-dividend Stripping Rules*

According to the anti-dividend stripping rules, no exemption, reduction, credit or refund of Dutch dividend withholding tax will be granted if the recipient of the dividend paid by the Company is not considered the beneficial owner (*uiteindelijk gerechtigde*) of the dividend as defined in these rules. A recipient of a

dividend is not considered the beneficial owner of the dividend if, as a consequence of a combination of transactions, (i) a person (other than the holder of the dividend coupon), directly or indirectly, partly or wholly benefits from the dividend, (ii) such person directly or indirectly retains or acquires a comparable interest in the Ordinary Shares, and (iii) such person is entitled to a less favorable exemption, reduction, refund or credit of dividend withholding tax than the recipient of the dividend distribution. The term “combination of transactions” includes transactions that have been entered into in the anonymity of a regulated stock market, the sole acquisition of one or more dividend coupons and the establishment of short-term rights or enjoyment on the Ordinary Shares (e.g., usufruct).

### ***Taxes on income and capital gains***

#### ***Holders of Ordinary Shares Resident in the Netherlands: Individuals***

A holder of Ordinary Shares, who is an individual resident or deemed to be resident in the Netherlands, or who has elected to be taxed as a resident of the Netherlands for Dutch personal income tax purposes, will be subject to regular Dutch personal income tax on the income derived from the Ordinary Shares and the gains realized upon the acquisition, redemption and/or disposal of the Ordinary Shares by the holder thereof, if:

- (a) such holder of Ordinary Shares has an enterprise or an interest in an enterprise, to which enterprise the Ordinary Shares are attributable; and/or
- (b) such income or capital gain forms “a benefit from miscellaneous activities” (*resultaat uit overige werkzaamheden*) which, for instance, would be the case if the activities with respect to the Ordinary Shares exceed “normal active asset management” (*normaal, actief vermogensbeheer*) or if income and gains are derived from the holding, whether directly or indirectly, of (a combination of) shares, debt claims or other rights (together, a *lucratief belang*) that the holder thereof has acquired under such circumstances that such income and gains are intended to be remuneration for work or services performed by such holder (or a related person) in the Netherlands, whether within or outside an employment relation, where such lucrative interest provides the holder thereof, economically speaking, with certain benefits that have a relation to the relevant work or services.

If either of the abovementioned conditions (a) or (b) applies, income or capital gains in respect of dividends distributed by the Company or in respect of any gain realized on the disposal of Ordinary Shares will in general be subject to Dutch personal income tax at the progressive rates up to 52%.

If the abovementioned conditions (a) and (b) do not apply, the holder of Ordinary Shares who is an individual resident or deemed to be resident in the Netherlands, or who has elected to be taxed as a resident of the Netherlands for Dutch tax purposes, will not be subject to taxes on income and capital gains in the Netherlands. Instead, such individual is taxed at a flat rate of 30% on deemed income from “savings and investments” (*sparen en beleggen*). This deemed income amounts to 4% of the individual’s “yield basis” (*rendementsgrondslag*) at the beginning of the calendar year (minus a tax-free threshold). The “yield basis” would include the fair market value of the Ordinary Shares.

#### ***Holders of Ordinary Shares Resident in the Netherlands: Corporate Entities***

A holder of Ordinary Shares that is resident or deemed to be resident in the Netherlands for Dutch corporate income tax purposes, and that is:

- (i) a corporation;
- (ii) another entity with a capital divided into shares;
- (iii) a cooperative (association); or
- (iv) another legal entity that has an enterprise or an interest in an enterprise to which the Ordinary Shares are attributable,

but which is not:

- (v) a qualifying pension fund;
- (vi) a qualifying investment fund (under article 6a or 28 of the Dutch Corporate Income Tax Act (“CITA”)); or
- (vii) another entity exempt from corporate income tax,

will in general be subject to regular Dutch corporate income tax, levied at a rate of 25% (20% over profits up to €200,000) over income derived from the Ordinary Shares and gains realized upon acquisition, redemption and disposal of the Ordinary Shares.

If and to the extent that such holder of Ordinary Shares is eligible for the application of the participation exemption (*deelnemingsvrijstelling*) with respect to the Ordinary Shares, income derived from the Ordinary Shares and gains and losses (with the exception of liquidation losses under strict conditions) realized on the Ordinary Shares may be exempt from Dutch corporate income tax. Generally, the participation exemption applies, among others, if a holder of Ordinary Shares (i) holds an interest of at least 5% in the issued and paid up nominal share capital of the Company and (ii) is not an investment fund benefiting from the provisions under article 6a or 28 of the CITA.

#### *Holders of Ordinary Shares Resident Outside the Netherlands: Individuals*

A holder of Ordinary Shares, who is an individual not resident or not deemed to be resident in the Netherlands, and who has not elected to be taxed as a resident of the Netherlands for Dutch personal income tax purposes, will not be subject to any Dutch taxes on income or capital gains in respect of dividends distributed by the Company or in respect of any gain realized on the disposal of Ordinary Shares (other than the dividend withholding tax described above), unless:

- (a) such holder has an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands and to which enterprise or part of an enterprise, as the case may be, the Ordinary Shares are attributable; and/or
- (b) such income or capital gain forms “a benefit from miscellaneous activities” (*resultaat uit overige werkzaamheden*) which, for instance, would be the case if the activities with respect to the Ordinary Shares exceed “normal active asset management” (*normaal, actief vermogensbeheer*) in the Netherlands or if income and gains are derived from the holding, whether directly or indirectly, of (a combination of) shares, debt claims or other rights (together, a *lucratief belang*) that the holder thereof has acquired under such circumstances that such income and gains are intended to be remuneration for work or services performed by such holder (or a related person) in the Netherlands, whether within or outside an employment relation, where such lucrative interest provides the holder thereof, economically speaking, with certain benefits that have a relation to the relevant work or services.

If either of the abovementioned conditions (a) or (b) applies, income or capital gains in respect of dividends distributed by the Company or in respect of any gain realized on the disposal of Ordinary Shares will in general be subject to Dutch personal income tax at the progressive rates up to 52%.

#### *Holders of Ordinary Shares Resident Outside the Netherlands: Legal and Other Entities*

A holder of Ordinary Shares, that is a legal entity, another entity with a capital divided into shares, an association, a foundation or a fund or trust, not resident or deemed to be resident in the Netherlands for Dutch corporate income tax purposes, will not be subject to any Dutch taxes on income or capital gains in respect of dividends distributed by the Company or in respect of any gain realized on the disposal of Ordinary Shares (other than the dividend withholding tax described above), unless:

- (a) such holder has an enterprise or an interest in an enterprise that is, in whole or in part, carried on through a permanent establishment or a permanent representative in the Netherlands and to which enterprise or part of an enterprise, as the case may be, the Ordinary Shares are attributable and the participation exemption (*deelnemingsvrijstelling*) as described above does not apply to any income or capital gain arising from such Ordinary Shares; or
- (b) such holder has a substantial interest (*aanmerkelijk belang*) (as described under Dutch Tax Considerations above) in the Company, that (i) is held with the avoidance of Dutch personal income tax or dividend withholding tax as (one of) the main purpose(s) and (ii) does not form part of the assets of an enterprise.

If one of the abovementioned conditions applies, income derived from the Ordinary Shares and gains realized on the Ordinary Shares will, in general, be subject to regular corporate income tax levied at a rate of 25% (20% over profits up to €200,000), except that a holder referred to under (b) above will generally be subject to an effective corporate income tax rate of 15% if it holds the substantial interest in the Company with (one of) the main purpose(s) to avoid dividend withholding tax and not with (one of) the main purposes to avoid personal income tax.

## ***Gift, Estate and Inheritance Taxes***

### ***Holders of Ordinary Shares Resident in the Netherlands***

Gift tax may be due in the Netherlands with respect to an acquisition of Ordinary Shares by way of a gift by a holder of Ordinary Shares who is resident or deemed to be resident of the Netherlands.

Inheritance tax may be due in the Netherlands with respect to an acquisition or deemed acquisition of Ordinary Shares by way of an inheritance or bequest on the death of a holder of Ordinary Shares who is resident or deemed to be resident of the Netherlands, or by way of a gift within 180 days before his death by an individual who is resident or deemed to be resident in the Netherlands at the time of his death.

For purposes of Dutch gift and inheritance tax, an individual with Dutch nationality will be deemed to be resident in the Netherlands if he has been resident in the Netherlands at any time during the ten years preceding the date of the gift or his death. For purposes of Dutch gift tax, an individual not holding Dutch nationality will be deemed to be resident of the Netherlands if he has been resident in the Netherlands at any time during the twelve months preceding the date of the gift.

### ***Holders of Ordinary Shares Resident Outside the Netherlands***

No gift, estate or inheritance taxes will arise in the Netherlands with respect to an acquisition of Ordinary Shares by way of a gift by, or on the death of, a holder of Ordinary Shares who is neither resident nor deemed to be resident of the Netherlands, unless, in the case of a gift of Ordinary Shares by an individual who at the date of the gift was neither resident nor deemed to be resident in the Netherlands, such individual dies within 180 days after the date of the gift, while being resident or deemed to be resident in the Netherlands.

### ***Certain Special Situations***

For purposes of Dutch gift, estate and inheritance tax, generally (i) a gift by a Third Party will be construed as a gift by the Settlor, and (ii) upon the death of the Settlor, as a rule his/her Beneficiaries will be deemed to have inherited directly from the Settlor. Subsequently, such Beneficiaries will be deemed the settlor, grantor or similar originator of the Separated Private Assets for purposes of Dutch gift, estate and inheritance tax in case of subsequent gifts or inheritances.

For the purposes of Dutch gift and inheritance tax, a gift that is made under a condition precedent is deemed to have been made at the moment such condition precedent is satisfied. If the condition precedent is fulfilled after the death of the donor, the gift is deemed to be made upon the death of the donor.

### ***Turnover Tax***

No Dutch turnover tax will arise in respect of or in connection with the subscription, issue, placement, allotment or delivery of the Ordinary Shares.

### ***Other Taxes and Duties***

No Dutch registration tax, capital tax, custom duty, transfer tax, stamp duty or any other similar documentary tax or duty, other than court fees, will be payable in the Netherlands in respect of or in connection with the subscription, issue, placement, allotment or delivery of the Ordinary Shares.

### ***Residency***

A holder of Ordinary Shares will not be treated as a resident, or a deemed resident, of the Netherlands by reason only of the acquisition, or the holding, of the Ordinary Shares or the performance by the Company under the Ordinary Shares.

## **United States Federal Income Taxation**

The following discussion is a summary under present law of certain U.S. federal income tax considerations relevant to the acquisition, ownership and disposition of the Offer Shares. It addresses only U.S. Holders (as defined below) that purchase Offer Shares in the Offering, hold Offer Shares as capital assets and use the U.S. dollar as their functional currency. The discussion is a general summary only; it is not tax advice. The discussion does not consider the circumstances of particular purchasers subject to special tax rules, such as banks, dealers, traders in securities that elect mark-to-market treatment, insurance companies,

tax-exempt entities, U.S. expatriates, holders of 10% or more of the Company's shares, persons holding the Offer Shares as part of a hedge, straddle, conversion or other integrated financial transaction, persons resident in the Netherlands and persons holding Offer Shares through a permanent establishment or fixed base outside of the United States. The discussion does not address U.S. state and local tax considerations.

**THE STATEMENTS ABOUT U.S. FEDERAL INCOME TAX CONSIDERATIONS ARE MADE TO SUPPORT MARKETING OF THE OFFER SHARES. NO TAXPAYER CAN RELY ON THEM TO AVOID U.S. FEDERAL TAX PENALTIES. EACH PROSPECTIVE PURCHASER SHOULD SEEK ADVICE FROM AN INDEPENDENT TAX ADVISER ABOUT THE TAX CONSEQUENCES UNDER ITS OWN PARTICULAR CIRCUMSTANCES OF THE ACQUISITION, OWNERSHIP AND DISPOSITION OF OFFER SHARES UNDER THE LAWS OF THE NETHERLANDS, THE UNITED STATES AND ITS CONSTITUENT JURISDICTIONS AND ANY OTHER JURISDICTION WHERE THE PROSPECTIVE PURCHASER MAY BE SUBJECT TO TAXATION.**

As used here, "U.S. Holder" means a beneficial owner of Offer Shares that for U.S. federal income tax purposes is (i) an individual citizen or resident of the United States, (ii) a corporation or other business entity treated as a corporation created or organized under the laws of the United States or its political subdivisions, (iii) a trust subject to the control of a U.S. person and the primary supervision of a U.S. court or (iv) an estate the income of which is subject to U.S. federal income tax without regard to its source.

The tax consequences to a partner in a partnership holding Offer Shares generally will depend on the status of the partner and the activities of the partnership. Partnerships should consult their own tax advisers about the U.S. federal income tax consequences to their partners of acquiring, owning and disposing of Offer Shares.

#### **Dividends**

A U.S. Holder generally must include distributions on the Offer Shares (including the amount of any Netherlands tax withheld) in income as foreign source dividends. Dividends will not be eligible for the dividends-received deduction generally available to U.S. corporations.

Dividends received before 2013 should qualify for the reduced tax rate applicable to the qualified dividend income of non-corporate U.S. Holders as long as the U.S. Holder meets the eligibility requirements (including holding period requirements). The qualified dividend income rate would apply as long as the Company's Ordinary Shares are regularly traded on Euronext Amsterdam or the Company otherwise qualifies for benefits under the Netherlands-U.S. income tax treaty and the Company is not a passive foreign investment company ("PFIC") for U.S. federal income tax purposes during the year when it pays the dividend or the preceding year. The Company believes that it will qualify for the benefits of the Netherlands-U.S. income tax treaty. The Company also believes, and the remainder of this discussion assumes, that it will not be a PFIC for the current taxable year and will not become a PFIC. Because the Company had no active business in 2011 year, however, it likely would have been a PFIC in that year but for an exception available to companies in their start-up year. The exception applies only if the Company satisfies the U.S. Internal Revenue Service that it will not be a PFIC for the two years following the start-up year and the company in fact is not a PFIC in either year. U.S. Holders should consult their advisers about the availability of the reduced rate in their particular circumstances, including the applicability of the start-up year exception.

Dividends paid in euro will be includable in income in a U.S. dollar amount based on the exchange rate in effect on the date of receipt whether or not the payment is converted into U.S. dollars at that time. A U.S. Holder's tax basis in the euro received will equal the U.S. dollar amount included in income. Any gain or loss realized on a subsequent conversion of the euro into U.S. dollars for a different amount generally will be U.S. source ordinary income or loss.

A U.S. Holder can claim a deduction or a foreign tax credit subject to generally applicable limitations for Netherlands tax withheld at the appropriate rate. In computing foreign tax credit limitations, non-corporate U.S. Holders entitled to the reduced rate on qualified dividend income may take into account only the portion of a qualified dividend effectively taxed at the highest applicable marginal rate.

#### **Disposition**

A U.S. Holder generally will recognize capital gain or loss on the sale or other disposition of the Offer Shares equal to the difference between the U.S. dollar value of the amount realized and the U.S. Holder's tax basis in the Offer Shares. For purposes of computing the U.S. Holder's foreign tax credit limitation, the



gain or loss generally will be treated as arising from U.S. sources. It will be long-term capital gain or loss if the holder has held the Offer Shares for more than one year. Deductions for capital losses are subject to significant limitations.

A U.S. Holder that receives euro on the disposition of Offer Shares will realize an amount equal to the U.S. dollar value of the euro received on the date of disposition (or in the case of cash basis and electing accrual basis taxpayers, the settlement date). The U.S. Holder will recognize foreign exchange gain or loss if the U.S. dollar value of the euro received at the spot rate on the settlement date differs from the amount realized. A U.S. Holder will have a tax basis in the euro received equal to their value at the spot rate on the settlement date. Any foreign exchange gain or loss realized on the settlement date or on a subsequent conversion or other disposition of the euro for a different U.S. dollar amount generally will be U.S. source ordinary income or loss.

### **Reporting and Backup Withholding**

Amounts received with respect to dividends on the Offer Shares and proceeds from disposition of Offer Shares may be reported to the U.S. Internal Revenue Service unless the holder establishes a basis for exemption. Backup withholding tax may apply to reportable payments unless the holder provides its taxpayer identification number or otherwise establishes a basis for exemption. Any amount withheld may be credited against the holder's U.S. federal income tax liability or refunded to the extent it exceeds the holder's liability.

Certain U.S. Holders may be required to report their investment in Offer Shares not held through an account with a financial institution to the Internal Revenue Service. Investors who fail to report required information could become subject to substantial penalties. Potential investors are encouraged to consult with their own tax advisers about reporting obligations arising from their investment in the Offer Shares.

**THE DISCUSSION ABOVE IS A GENERAL SUMMARY. IT DOES NOT COVER ALL TAX MATTERS THAT MAY BE IMPORTANT TO A PARTICULAR INVESTOR. EACH PROSPECTIVE INVESTOR SHOULD CONSULT ITS OWN TAX ADVISER ABOUT THE TAX CONSEQUENCES TO IT OF AN INVESTMENT IN THE OFFER SHARES.**

## **LEGAL MATTERS**

Certain legal matters in connection with the Offering will be passed upon for us with respect to Dutch law, English law and U.S. law by Freshfields Bruckhaus Deringer LLP. Certain legal matters in connection with the Offering will be passed upon for the Selling Shareholders by Clifford Chance LLP, Arendt & Medernach and Maples and Calder. Certain legal matters in connection with the Offering will be passed upon for the Underwriters with respect to U.S. law by Davis Polk & Wardwell LLP and Dutch law by De Brauw Blackstone Westbroek N.V.

## INDEPENDENT AUDITOR

Ernst & Young Accountants LLP, independent auditors with their address at Cross Towers, Antonio Vivaldistraat 150, 1083 HP Amsterdam, the Netherlands, have audited and rendered an unqualified auditor's report on each of the 2009 Financial Statements, the 2010 Financial Statements, the 2011 Financial Statements and the audited financial statements of Ziggo N.V. as at December 31, 2011 and have given, and not withdrawn, their written consent to the inclusion of their auditor's reports in relation thereto and the references to themselves herein in the form and context in which they are included.

Ernst & Young Accountants LLP, independent auditors with their address at Cross Towers, Antonio Vivaldistraat 150, 1083 HP Amsterdam, the Netherlands, have performed an assurance engagement in accordance with Standard 3000 *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information* on the Unaudited Pro Forma Condensed Consolidated Financial Information and have given, and not withdrawn, their written consent to the inclusion of their assurance report on the Unaudited Pro Forma Condensed Consolidated Financial Information and the references to themselves herein in the form and context in which they are included.

The register accountants (*registeraccountants*) of Ernst & Young Accountants LLP are members of the Dutch Professional Organization for Accountants (NIVRA).

## GENERAL INFORMATION

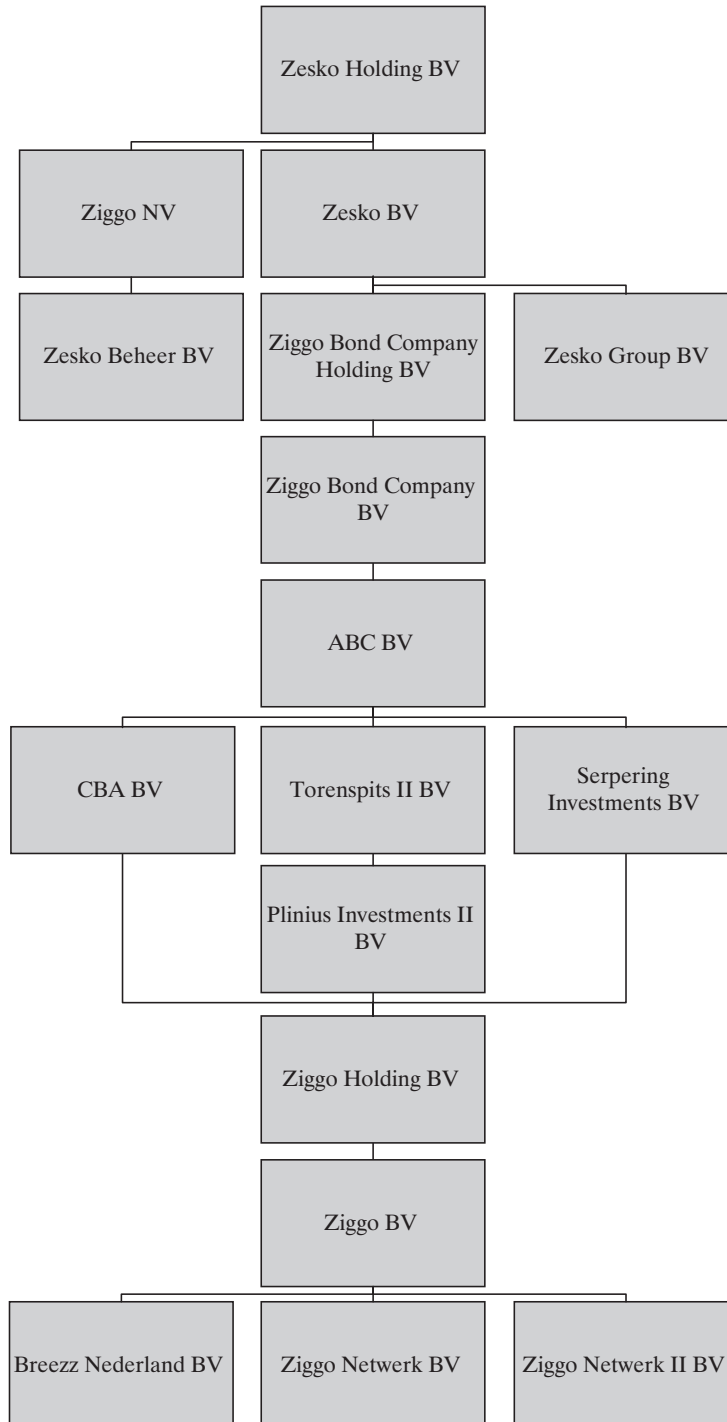
### Application for Listing

Our application for listing of our Ordinary Shares on Euronext Amsterdam and entering into the listing agreement with Euronext have taken place pursuant to resolutions adopted by our General Meeting, our Supervisory Board and our Management Board on March 8, 2012.

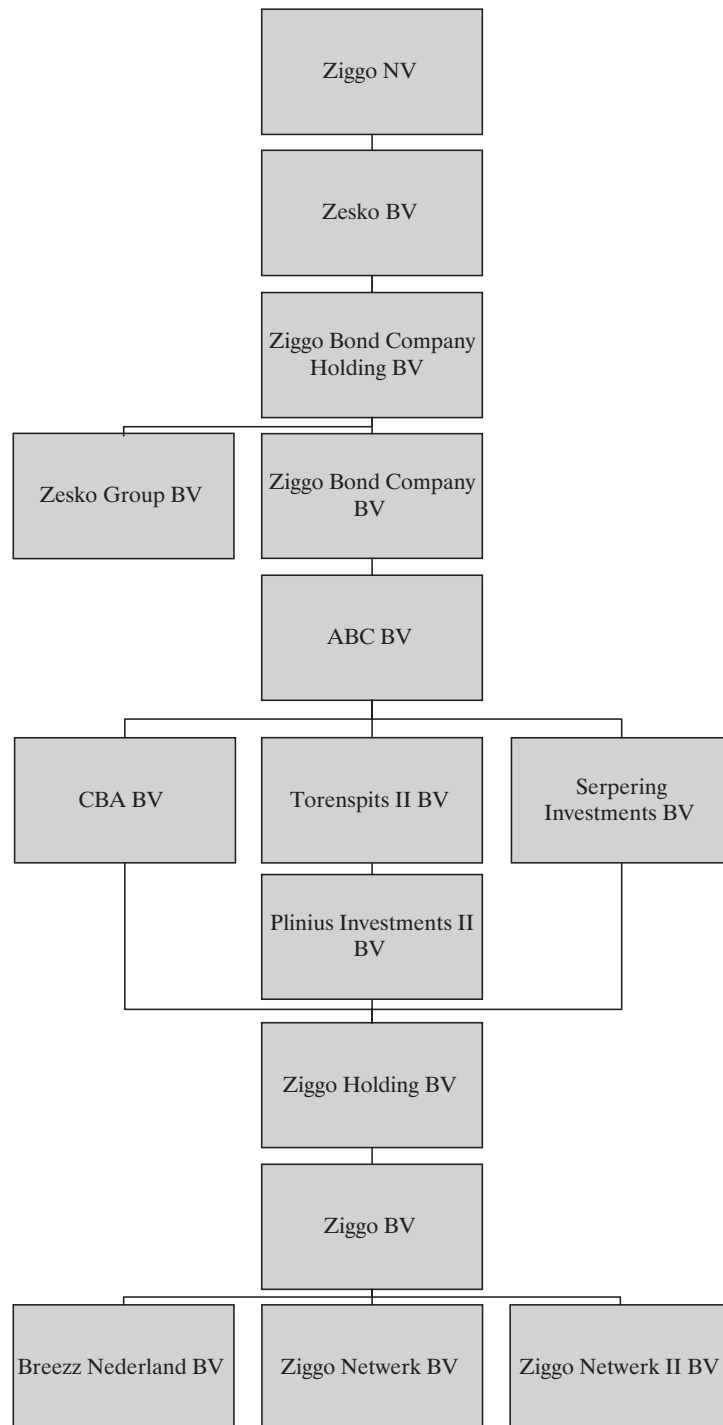
### Organizational Structure and Significant Subsidiaries

#### Organizational Structure

The chart below sets out our structure at the date of this Prospectus:



The chart below sets out our structure after the implementation of the Restructuring prior to the closing of the Offering. See “Certain Relationships and Related Party Transactions—Selling Shareholders—Restructuring”.



**Significant Subsidiaries**

The list below sets out our significant subsidiaries, all of which are wholly owned and are incorporated in the Netherlands, after the implementation of the Restructuring prior to the closing of the Offering.

- Zesko B.V.
- Ziggo Bond Company Holding B.V.
- Ziggo Bond Company B.V.
- Amsterdamse Beheer- en Consultingmaatschappij (“ABC B.V.”)
- Christina Beheer- en Adviesmaatschappij (“CBA B.V.”)



Serpering Investments B.V.  
Torensplits II B.V.  
Plinius Investments II B.V.  
Ziggo Holding B.V.  
Ziggo B.V.  
Ziggo Netwerk B.V.  
Ziggo Netwerk II B.V.  
Breezz Nederland B.V.

### **No Significant Change**

There has been no significant change in our financial or trading position since December 31, 2011.

### **Working Capital**

We believe that the working capital available to us is sufficient for our present requirements, that is for at least the next twelve months following the date of this Prospectus<sup>(1)</sup>.

### **Availability of Documents**

Copies of the Articles of Association and the Current Articles (in Dutch, and an English translation) are available and can be obtained free of charge from the date of publication of this Prospectus from the Company's website at [www.ziggo.com](http://www.ziggo.com).

Subject to any applicable selling and transfer restrictions (see "Selling and Transfer Restrictions"), copies of this Prospectus and any supplement to this Prospectus may be obtained free of charge from the date of publication of this Prospectus from the Company's website at [www.ziggo.com](http://www.ziggo.com).

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(1) Ziggo's current liabilities exceed current assets primarily because (i) Ziggo pre-invoices its customers and collects revenues from more than 95% of its customers via direct-debit, which results in a substantial portion of revenues being deferred and (ii) Ziggo regularly uses its excess cash to voluntarily prepay its outstanding long-term debt instead of holding a cash balance. On this basis, Ziggo believes its working capital is sufficient for its present requirements, that is, for at least the twelve months following the date of this Prospectus.

## GLOSSARY OF TECHNICAL TERMS AND ACRONYMS

|                               |  |
|-------------------------------|--|
| <b>ADSL or ADSL2+</b>         | An asymmetric digital subscriber line is a system for high-speed data transmission over existing phone cables. In the ADSL system, the phone cable is effectively divided into three bands: the downstream band from the service provider to the end customer; the upstream band from the end customer to the service provider; and a phone band through which phone calls can be made. ADSL2+ extends the capacity of the underlying ADSL system by further utilizing the frequency spectrum and extending transfer speeds. The data rates can be as high as 24 Mbps downstream and up to 1.4 Mbps upstream depending on the distance from the central office to the customer's premises. |
| <b>Analog television</b>      | Analog television encodes television picture and sound information and transmits it as an analog signal: one in which the message conveyed by the broadcast signal is a function of deliberate variations in the amplitude and/or frequency of the signal. All systems preceding digital television were analog television systems.  |
| <b>ARPU</b>                   | Average monthly revenue per user of the relevant service for the referenced period, a measure used to evaluate how effectively we are realizing potential revenues from subscribers. ARPU is calculated by dividing total subscription-related revenues for a period excluding installation and carriage fees by the average number of subscribers served in the period and by the number of months in the period.   |
| <b>AT</b>                     | Agentschap Telecom (Radiocommunications Agency), a division of the Dutch Ministry of Economic Affairs, Agriculture and Innovation that oversees the acquisition, allocation and protection of spectrum.  |
| <b>AVMS</b>                   | Audiovisual Media Services Directive; came into force on December 11, 2007 and amended the TWFD.   |
| <b>Backbone</b>               | A backbone or network backbone is a part of a network infrastructure that interconnects various pieces of network.   |
| <b>Bandwidth</b>              | The transmission capacity of a communication line or transmission link at any given time.  |
| <b>Bi-directional network</b> | Bi-directional networks enable a two-way communication.  |
| <b>Blended ARPU</b>           | Blended average revenue per user, which is calculated as the sum of total standard TV, digital pay TV, broadband internet and telephony revenues for the period divided by the period's average monthly total standard TV RGUs and divided by the number of months in that period.   |
| <b>Broadband Internet</b>     | Internet connection with download data transfer speeds of at least 256 kbps.   |
| <b>Bundle/bundling</b>        | Bundling is a marketing strategy that involves offering several services or products for sale as one combined product.   |
| <b>CMTS</b>                   | A Cable Modem Termination System provides high speed data services to cable users.   |
| <b>CPE</b>                    | Customer premise(s) equipment or telecommunications hardware, such as set-top boxes or PVRs, broadband internet modems and routers, which are located at the home or business of a customer.   |
| <b>Catch-Up TV</b>            | Our replay TV offering that allows subscribers to watch recently broadcast television programs after they have been aired.   |

|                                   |   |
|-----------------------------------|---|
| <b>CI+</b>                        | Common Interface Plus, which allows customers with modern television sets to enjoy digital TV without using a separate set-top box. The customer still requires a smartcard.  |
| <b>Cloud-based PVR</b>            | A virtual Personal Video Recorder that allows users to watch what they want, when they want, how they want and where they want. Recorded broadcasted video content is stored on remote servers in the network, and not on the PVR at the customer's premise.  |
| <b>Coaxial Cable</b>              | Electrical cable with an inner conductor, surrounded by a tubular insulating layer.   |
| <b>CvdM</b>                       | Commissariaat voor de Media (Dutch Media Authority), which enforces the rules and regulations formulated under the Dutch Media Act.   |
| <b>Digital television</b>         | Digital television or digital TV, is the transmission of audio and television by digital signals, in contrast to the analog signals used by analog television. Analog signals, such as voice or music, are encoded digitally by sampling the voice or music analog signals many times a second and assigning a number to each sample. Recording or transmitting information digitally has two major benefits: first, digital signals can be reproduced more precisely so digital transmission is "cleaner" than analog transmission and thus of higher quality; and second, digital signals require less transmission capacity than analog signals. |
| <b>DMA</b>                        | Dutch Media Act ("Mediawet"); governs the organization, financing and tasks of the public broadcasting companies in the Netherlands. It also sets basic rules for commercial broadcasting companies and cable operators.  |
| <b>DSL</b>                        | Digital Subscriber Line, which is a generic name for a range of digital technologies relating to the transmission of internet and data signals from the telecommunications service provider's central office to the end customer's premises over the standard copper wire used for voice services.  |
| <b>DTA</b>                        | Dutch Telecommunications Act ("Telecommunicatiewet").   |
| <b>DTH</b>                        | Direct-to-home, which refers to satellite television broadcasts intended for home reception.  |
| <b>DTT</b>                        | Digital terrestrial television, which is digital broadcasting of television signals over terrestrial antennas and other earthbound circuits without any use of satellite.   |
| <b>EuroDocsis 3.0</b>             | Data Over Cable Service Interface Specification (Docsis) is an international standard that defines the communications and operation support interface requirements for a data over cable system. It permits the addition of high-speed data transfer to an existing cable TV system. Cable companies use the EuroDocsis standard to improve speeds they can offer. The new EuroDocsis 3.0 broadband technology allows speed levels of over 100 Mbps.  |
| <b>Fiber-to-the-Curb (FttC)</b>   | Network architecture that uses optical fiber to reach the end user's street in order to deliver broadband internet services.  |
| <b>Fiber-to-the-Home (FttH)</b>   | Network architecture that uses optical fiber to reach the end user's home in order to deliver broadband internet services.  |
| <b>Fiber-to-the-Office (FttO)</b> | Network architecture that uses optical fiber to reach the end user's office in order to deliver broadband internet services.  |
| <b>Free-to-air</b>                | Transmission of content for which television viewers are not required to pay a fee for receiving transmissions.   |

|                        |  |
|------------------------|--|
| <b>FRSA</b>            | Financial Reporting Supervision Act (“Wet toezicht financiële verslaggeving”).   |
| <b>GHz</b>             | Gigahertz, one billion hertz (a unit of frequency).  |
| <b>HDTV</b>            | High definition television. We provide HDTV in the 1,080i format (which assumes a widescreen aspect ratio of 16:9, implying a frame size of 1920 × 1080 pixels).   |
| <b>Headend</b>         | A facility for receiving television signals for processing and distribution over a cable television system.  |
| <b>Homes connected</b> | The number of homes and other units such as apartments that are connected to our network.  |
| <b>Homes passed</b>    | The number of homes and other units such as apartments that are connected or can be connected to a telecommunications network. We report “homes connected” as “homes passed”.  |
| <b>HSPA</b>            | High-speed Packet Access, which is an upgraded version of the UMTS, or 3G, mobile telephony protocol technology and refers collectively to the HSDPA and HSUPA mobile telephony protocols. HSPA supports peak data rates of up to 14 Mbps in the downlink and 5.8 Mbps in the uplink.  |
| <b>ISDN</b>            | Integrated Services Digital Network (ISDN) is a set of communications standards for simultaneous digital transmission of voice, video, data, and other network services over the traditional circuits of the public switched telephone network (PSTN).   |
| <b>IP</b>              | Internet protocol, which is a protocol used for communicating data across a packet switched network. It is used for transmitting data over the internet and other similar networks. The data is broken down into data packets, each data packet is assigned an individual address, then the data packets are transmitted independently and finally reassembled at the destination. |
| <b>IPTV</b>            | Internet Protocol television, which is the transmission of television content using IP over a network infrastructure.  |
| <b>iTV</b>             | Interactive television; two-way communications between viewer and service provider using a television as a display. Uses include selecting television programs.  |
| <b>LTE</b>             | 3GPP (3rd Generation Partnership Project) Long Term Evolution, a new high performance air interface for cellular mobile communication systems. LTE is the last step toward the 4th generation (4G) of radio technologies designed to increase the capacity and speed of mobile telephone networks.   |
| <b>Mbps</b>            | Megabits per second; a unit of data transfer rate equal to 1,000,000 bits per second. The bandwidth or speeds of broadband internet networks are often indicated in Mbps, or Mb/s.   |
| <b>MHz</b>             | Megahertz, or one million hertz (a unit of frequency).   |
| <b>NRA</b>             | National Regulating Authority (see also “OPTA”).   |
| <b>OPTA</b>            | Dutch Independent Post and Telecommunications Authority ( <i>Onafhankelijke Post en Telecommunicatie Autoriteit</i> ).   |
| <b>OTT-television</b>  | IPTV services that are delivered “over the top” of an existing broadband internet network.   |
| <b>Penetration</b>     | The number of RGUs or subscribers for a product as a percentage of the unit indicated.   |
| <b>PSTN</b>            | Public Switched Telephony Network.   |

|                                   |   |
|-----------------------------------|---|
| <b>PVR</b>                        | A personal video recorder device that allows end users to digitally record television programming for later playback.   |
| <b>Receiver</b>                   | A set-top box or CI+ module that allows people to view digital programming. In both cases, the customer requires a Smartcard.   |
| <b>Return path</b>                | A communications connection that carries signals from the subscriber back to the operator. The return path is used for broadband internet services, telephony and interactive television.   |
| <b>RGU</b>                        | Revenue Generating Unit; RGU represents one service subscription for any of the following individual 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 an All-in-1 bundle subscriber is counted as three RGUs—one RGU for each of standard TV, broadband internet and telephony RGUs. |
| <b>Set-top box</b>                | The hardware required by the end customer to view digital TV programming.   |
| <b>Smart card</b>                 | A pocket sized card with embedded integrated circuits which, when used with a digital receiver, enables our customers to decrypt and receive our digital TV services.   |
| <b>SME</b>                        | Small and Medium Enterprises.   |
| <b>SoHo</b>                       | Small office/Home office.   |
| <b>Standard TV</b>                | The standard TV package we offer to our customers, which includes both analog and digital channels.   |
| <b>SVoD</b>                       | Subscription-based VoD, where a customer pays a fixed subscription fee for a certain period and can place unlimited orders during that time. Ziggo offers “Films on Demand” and “Series on Demand” as part of the different TV packages.  |
| <b>T-DMB</b>                      | Terrestrial Digital Multimedia Broadcasting, which is a technology to broadcast multimedia (radio, TV and datacasting) to mobile devices through long distance terrestrial antennas.  |
| <b>Triple-play</b>                | The combination of television, broadband internet and telephony services.   |
| <b>TVoD</b>                       | Transactional VoD, where a customer pays per view. Also known as “requested VoD”.   |
| <b>TWFD</b>                       | Television Without Frontiers Directive 89/552/EEC, aimed at ensuring the free movement of broadcasting services within the internal market and at the same time to preserve certain public interest objectives, including cultural diversity, the right of reply, consumer protection and the protection of minors.   |
| <b>Unbundled Local Loop (ULL)</b> | The provision of access to both physical ends of the local loop (in some cases access to the local loop is shared between two operators, as when one operator provides data services and another voice services over the same local loop).  |
| <b>UMTS</b>                       | Universal Mobile Telecommunications System, a third generation, or “3G”, mobile telephony protocol that delivers broadband internet at speeds up to 2 Mbps.   |
| <b>VDSL or VDSL2</b>              | Very high bit rate DSL, a modulation technique for copper PSTN networks, with which higher speeds can be realized, dependent on distance. VDSL2 offers higher speeds than VDSL. VDSL2   |



deteriorates quickly with distance, but degrades at a slower rate than VDSL from 1 km onwards and in line with ADSL2+.

**VoD**

Video-on-demand, which is a digital TV service or package that allows subscribers to order movies and other video content at any time. There are two main types of VoD: TVoD and SVoD.

**VoIP**

Voice over IP, or the transmission of voice via internet Protocol.

**WiFi**

Term relating to wireless transmission network technology. WiFi is a trademark of the Wi-Fi Alliance. The Alliance has generally enforced its use to describe only a narrow range of connectivity technologies including wireless local area network (WLAN) based on the IEEE 802.11 standards and device to device connectivity.

**WiMax**

Worldwide interoperability for microwave access; a telecommunications technology that provides wireless transmission of data using a variety of transmission modes, from point-to-multipoint links to portable and fully mobile internet access.

**WLAN**

Wireless local area network; links devices via a wireless distribution method.

## SELLING SHAREHOLDERS

| <u>Selling Shareholders</u>  | <u>Business Address</u>   | <u>Number of Ordinary Shares Offered in the Offering<sup>(1)</sup></u> |
|--|---|--|
| Cinven Cable Investments S.à r.l.  | 4 rue Albert Borschette<br>L 1246 Luxembourg<br>Luxembourg  | 12,617,010   |
| WP Holdings IV B.V.  | Fred. Roeskestraat 123 I<br>1076 EE Amsterdam<br>The Netherlands  | 12,617,010   |
| Dutch Cable Limited Partnership  | P.O. Box 309GT<br>Ugland House<br>South Church Street<br>Georgetown, Grand Cayman<br>Cayman Islands                   | 6,514,197  |
| A.S.F. Co-Investment Partners III, L.P.                                    | Portfolio Advisors LLC<br>9 Old Kings Highway South<br>Darien Connecticut, 06820<br>United States of America          | 151,918  |
| Performance Direct Investments II, L.P.                                    | 2 Pickwick Plaza<br>Suite 310<br>Greenwich, CT 06830 5424<br>United States of America                                 | 159,876  |
| Goldman Sachs GS Private Equity Partners 2002 Direct Investment Fund, L.P. | 200 West Street<br>New York, NY 10282<br>United States of America   | 19,786   |
| Goldman Sachs Private Equity Partners 2004—Direct Investment Fund, L.P.    | 200 West Street<br>New York, NY 10282<br>United States of America   | 36,562   |
| Goldman Sachs Private Equity Partners 2005—Direct Investment Fund, L.P.    | 200 West Street<br>New York, NY 10282<br>United States of America   | 64,744   |
| HarbourVest International Private Equity Partners V-Direct Fund L.P.       | c/o HarbourVest Partners, LLC<br>One Financial Center<br>Boston<br>Massachusetts 02111<br>United States of America    | 202,526  |
| HarbourVest Partners 2004 Direct Fund L.P.                                 | c/o HarbourVest Partners, LLC<br>One Financial Center<br>Boston<br>Massachusetts 02111<br>United States of America    | 80,998   |
| Adams Street 2006 Direct Fund, L.P.  | Adams Street Partners LLC<br>One North Wacker Dr.<br>Suite 2200<br>Chicago, IL 60606 2807<br>United States of America | 34,024   |
| Adams Street Direct Co-Investment Fund, L.P.                               | Adams Street Partners LLC<br>One North Wacker Dr.<br>Suite 2200<br>Chicago, IL 60606 2807<br>United States of America | 232,411  |
| Adams Street 2007 Direct Fund, L.P.  | Adams Street Partners LLC<br>One North Wacker Dr.<br>Suite 2200<br>Chicago, IL 60606 2807<br>United States of America | 37,338   |

| <u>Selling Shareholders</u>                  | <u>Business Address</u>  | <u>Number of Ordinary Shares Offered in the Offering<sup>(1)</sup></u> |
|--|--|--|
| GEAM International Private Equity Fund, L.P. | GE Asset Management<br>3001 Summer Street<br>P.O. Box 7900<br>Stamford, CT 06904<br>United States of America | 506,363  |
| Strategic Co-Investment Partners, L.P.       | 615 South Dupont Highway<br>Dover, DE 19901<br>United States of America                                      | 506,363  |
| Even Participatie Coöperatie U.A.            | Atoomweg 100<br>3542 AB Utrecht<br>The Netherlands   | 1,042,877  |
| Walter Blom                                  | Atoomweg 100<br>3542 AB Utrecht<br>The Netherlands   | 72,091   |
| Bernard Dijkhuizen                           | Atoomweg 100<br>3542 AB Utrecht<br>The Netherlands   | 3,201  |
| Wim Dik                                      | Atoomweg 100<br>3542 AB Utrecht<br>The Netherlands   | 10,608   |
| Ritzo Holtman                                | Atoomweg 100<br>3542 AB Utrecht<br>The Netherlands   | 14,208   |
| Marcel Nijhoff                               | Atoomweg 100<br>3542 AB Utrecht<br>The Netherlands   | 25,645   |
| Andrew Sukawaty                              | Atoomweg 100<br>3542 AB Utrecht<br>The Netherlands   | 50,244   |

(1) As the Restructuring will be carried out based on the Offer Price and number of Offer Shares as finally determined and based on the actual date on which the Offer Price is established, which factors are not yet known on the date of this Prospectus, this table assumes (i) an Offer Price at the mid-point of the Offer Price Range, which is an indicative price range, (ii) the number of Offer Shares to be 35,000,000 and (iii) the date on which the Offer Price is established to be on March 20, 2012.

## FINANCIAL INFORMATION

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**Section A**

**Zesko B.V.**

**Audited Consolidated Financial Statements  
for the Year Ended December 31, 2011**



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**FINANCIAL STATEMENTS**  
**CONSOLIDATED INCOME STATEMENT**  
**For the years ended 31 December**

| <u>Amounts in thousands of €</u>                      | <u>Note</u> | <u>2011</u>      | <u>2010</u>      |
|---|-------------|------------------|------------------|
| Revenues . . . . .                                    | 5           | 1,478,169        | 1,375,742        |
| Cost of goods sold . . . . .                          |             | 291,147          | 265,036          |
| Personnel expenses . . . . .                          | 6           | 175,574          | 170,715          |
| Contracted work . . . . .                             |             | 51,162           | 44,833           |
| Materials & logistics . . . . .                       |             | 6,035            | 4,071            |
| Marketing & sales . . . . .                           |             | 68,514           | 62,106           |
| Office expenses . . . . .                             |             | 49,564           | 52,183           |
| Other operating expenses . . . . .                    |             | 1,571            | 1,748            |
| Amortisation and impairments . . . . .                | 9           | 79,939           | 218,597          |
| Depreciation and impairments . . . . .                | 10          | 268,014          | 284,148          |
| Total operating expenses . . . . .                    |             | <u>991,520</u>   | <u>1,103,437</u> |
| Operating income . . . . .                            |             | <u>486,649</u>   | <u>272,305</u>   |
| Net financial income (expense) . . . . .              | 7           | <u>(464,193)</u> | <u>(543,965)</u> |
| Result before income taxes . . . . .                  |             | <u>22,456</u>    | <u>(271,660)</u> |
| Net result of joint ventures and associates . . . . . | 20          | (168)            | —                |
| Income tax benefit (expense) . . . . .                | 8           | <u>(7,784)</u>   | <u>71,262</u>    |
| Net result for the year . . . . .                     |             | <u>14,504</u>    | <u>(200,398)</u> |
| Net result attributable to equity holders . . . . .   |             | <u>14,504</u>    | <u>(200,398)</u> |

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the years ended 31 December

| <u>Amounts in thousands of €</u>                                    | <u>2011</u>   | <u>2010</u>      |
|---|---------------|------------------|
| Net result for the year . . . . .                                   | 14,504        | (200,398)        |
| Cash flow hedges, net of tax . . . . .                              | 7,311         | 12,049           |
| Total comprehensive income for the year . . . . .                   | <u>21,815</u> | <u>(188,349)</u> |
| Total comprehensive income attributable to equity holders . . . . . | <u>21,815</u> | <u>(188,349)</u> |

## CONSOLIDATED STATEMENT OF FINANCIAL POSITION

| <u>Amounts in thousands of €</u>                   | <u>Note</u> | <u>31 December<br/>2011</u> | <u>31 December<br/>2010</u> |
|--|-------------|-----------------------------|-----------------------------|
| <b>ASSETS</b>                                      |             |                             |                             |
| Intangible assets . . . . .                        | 9           | 3,359,736                   | 3,406,905                   |
| Property and equipment . . . . .                   | 10          | 1,421,386                   | 1,459,945                   |
| Other non-current financial assets . . . . .       | 11          | 402                         | 396                         |
| Deferred tax assets . . . . .                      | 8           | 272,225                     | 308,076                     |
| Total non-current assets . . . . .                 |             | <u>5,053,749</u>            | <u>5,175,322</u>            |
| Inventories . . . . .                              | 12          | 32,180                      | 18,546                      |
| Trade accounts receivable . . . . .                | 13          | 25,753                      | 20,086                      |
| Other current assets . . . . .                     | 14          | 26,813                      | 32,331                      |
| Cash and cash equivalents . . . . .                | 15          | 112,634                     | 67,003                      |
| Total current assets . . . . .                     |             | <u>197,380</u>              | <u>137,966</u>              |
| <b>TOTAL ASSETS</b> . . . . .                      |             | <b><u>5,251,129</u></b>     | <b><u>5,313,288</u></b>     |
| <b>EQUITY AND LIABILITIES</b>                      |             |                             |                             |
| Issued share capital . . . . .                     |             | 20                          | 20                          |
| Share premium . . . . .                            |             | 36,647                      | 36,647                      |
| Other reserves . . . . .                           |             | (7,789)                     | (15,100)                    |
| Retained earnings . . . . .                        |             | (1,090,562)                 | (1,105,066)                 |
| Equity attributable to equity holders . . . . .    | 16          | <u>(1,061,684)</u>          | <u>(1,083,499)</u>          |
| Interest bearing loans . . . . .                   | 17          | 3,257,243                   | 3,497,261                   |
| Interest bearing loans from shareholders . . . . . | 18          | 2,281,218                   | 2,065,336                   |
| Derivative financial instruments . . . . .         | 25          | 46,796                      | 58,447                      |
| Provisions . . . . .                               | 19          | 24,886                      | 30,169                      |
| Deferred tax liabilities . . . . .                 | 8           | 382,780                     | 408,410                     |
| Other non-current liabilities . . . . .            | 20          | 214                         | —                           |
| Total non-current liabilities . . . . .            |             | <u>5,993,137</u>            | <u>6,059,623</u>            |
| Deferred revenues . . . . .                        |             | 115,876                     | 97,751                      |
| Derivative financial instruments . . . . .         | 25          | 10,267                      | 34,539                      |
| Provisions . . . . .                               | 19          | 6,892                       | 7,138                       |
| Trade accounts payable . . . . .                   |             | 74,417                      | 80,165                      |
| Other current liabilities . . . . .                | 21          | 112,224                     | 117,571                     |
| Total current liabilities . . . . .                |             | <u>319,676</u>              | <u>337,164</u>              |
| <b>TOTAL EQUITY AND LIABILITIES</b> . . . . .      |             | <b><u>5,251,129</u></b>     | <b><u>5,313,288</u></b>     |

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| <u>Amounts in thousands of €</u>       | <u>Issued<br/>capital</u> | <u>Share<br/>premium</u> | <u>Cash flow<br/>hedge reserve</u> | <u>Retained<br/>earnings</u> | <u>Total equity</u> |
|--|---------------------------|--------------------------|------------------------------------|------------------------------|---------------------|
| Balance at 31 December 2009 . . . .    | 20                        | 36,647                   | (27,149)                           | (904,668)                    | (895,150)           |
| <i>Comprehensive income</i>            |                           |                          |                                    |                              |                     |
| Net loss for the year 2010 . . . . .   | —                         | —                        | —                                  | (200,398)                    | (200,398)           |
| <i>Other comprehensive income:</i>     |                           |                          |                                    |                              |                     |
| Cash flow hedges, net of tax . . . . . | —                         | —                        | 12,049                             | —                            | 12,049              |
| Total comprehensive income . . . . .   | —                         | —                        | 12,049                             | (200,398)                    | (188,349)           |
| Balance at 31 December 2010 . . . .    | 20                        | 36,647                   | (15,100)                           | (1,105,066)                  | (1,083,499)         |
| <i>Comprehensive income</i>            |                           |                          |                                    |                              |                     |
| Net profit for the year 2011 . . . . . | —                         | —                        | —                                  | 14,504                       | 14,504              |
| <i>Other comprehensive income:</i>     |                           |                          |                                    |                              |                     |
| Cash flow hedges, net of tax . . . . . | —                         | —                        | 7,311                              | —                            | 7,311               |
| Total comprehensive income . . . . .   | —                         | —                        | 7,311                              | 14,504                       | 21,815              |
| Balance at 31 December 2011 . . . .    | 20                        | 36,647                   | (7,789)                            | (1,090,562)                  | (1,061,684)         |

## CONSOLIDATED CASH FLOW STATEMENT

For the years ended 31 December

| Amounts in thousands of €  | Note | 2011             | 2010             |
|--|------|------------------|------------------|
| <b>Operating activities</b>  |      |                  |                  |
| Income (loss) before income taxes . . . . .                              |      | 22,456           | (271,660)        |
| <i>Adjustments for:</i>  |      |                  |                  |
| Amortisation and impairments . . . . .                                   | 9    | 79,939           | 218,597          |
| Depreciation and impairments . . . . .                                   | 10   | 268,014          | 284,148          |
| Movement in provisions . . . . .   | 19   | (7,974)          | (5,781)          |
| Net financial income and expense . . . . .                               | 7    | 464,193          | 543,965          |
| Operating cash flow before changes in working capital . . . . .          |      | 826,628          | 769,269          |
| <i>Changes in working capital relating to:</i>                           |      |                  |                  |
| Inventories . . . . .  |      | (13,634)         | 6,996            |
| Trade accounts receivable . . . . .                                      |      | (5,386)          | 23,506           |
| Other current assets . . . . .   |      | 6,502            | (5,129)          |
| Trade accounts payable . . . . .   |      | (7,712)          | (22,786)         |
| Deferred revenues . . . . .  |      | 18,125           | (8,496)          |
| Other current liabilities . . . . .                                      |      | (4,657)          | (7,798)          |
| Net change in working capital . . . . .                                  |      | (6,762)          | (13,707)         |
| <b>Net cash flow from operating activities . . . . .</b>                 |      | <b>819,866</b>   | <b>755,562</b>   |
| <b>Investing activities</b>  |      |                  |                  |
| Purchase of intangible and tangible assets . . . . .                     | 9,10 | (242,918)        | (202,709)        |
| Purchase of business combination . . . . .                               | 4    | (7,413)          | —                |
| Purchase of joint ventures . . . . .                                     |      | (15)             | —                |
| Interest received . . . . .  |      | 513              | 214              |
| Change in financial assets . . . . .                                     |      | (6)              | (28)             |
| <b>Net cash flow used in investing activities . . . . .</b>              |      | <b>(249,839)</b> | <b>(202,523)</b> |
| <b>Financing activities</b>  |      |                  |                  |
| Proceeds from loans . . . . .  | 17   | 460,431          | 1,950,147        |
| Repayments of loans . . . . .  | 17   | (708,858)        | (2,204,629)      |
| Interest paid . . . . .  |      | (267,005)        | (242,673)        |
| Financing and commitment fees . . . . .                                  |      | (8,964)          | (54,178)         |
| <b>Net cash flow from financing activities . . . . .</b>                 |      | <b>(524,396)</b> | <b>(551,333)</b> |
| <b>Net (decrease)/increase in cash and cash equivalents . . . . .</b>    |      | <b>45,631</b>    | <b>1,706</b>     |
| Net cash and cash equivalents at 1 January . . . . .                     |      | 67,003           | 65,297           |
| Net cash flow from operating, investing and financing activities . . . . |      | 45,631           | 1,706            |
| <b>Net cash and cash equivalents at 31 December . . . . .</b>            |      | <b>112,634</b>   | <b>67,003</b>    |

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. The Company and its operations

The principal activities of Zesko B.V. ('the Company') are to participate in, to finance or to have any other interest in, or to conduct the management of, other companies and enterprises. 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 3 million households under the brandname Ziggo.

### 2. Basis of preparation

#### Date of authorisation of issue

The consolidated financial statements of Zesko B.V. for the year ended 31 December 2011 were prepared by the Board of Management and adopted on 21 February 2012. The Company is a private limited company incorporated in Amsterdam (address: Winschotendiep 60, 9723 AB Groningen) in the Netherlands. The Company is wholly owned by Zesko Holding B.V. whose shareholders are investment funds that are ultimately managed by the private equity companies Cinven Limited and Warburg Pincus LLC.

#### 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.

#### 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 ruling 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 ruling 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 31 December 2011. The financial statements of the subsidiaries are prepared for the same reporting year as those of the parent company, using consistent accounting policies. All intra-group balances, transactions, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full. 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.

The consolidated financial statements of the Company include the subsidiaries mentioned in Note 26.

#### Going concern

The consolidated financial statements have been prepared by management on a going concern basis, which assumes the realisation of assets and the discharge of liabilities in the normal course of business for the foreseeable future. Accordingly, the financial statements do not include any adjustments to recorded asset values that might be necessary should the Company be unable to continue as a going concern. The Company has a shareholders' equity deficit totalling €1,061,684, but anticipates that it will remain profitable in the foreseeable future. The Company plans to be able to generate sufficient cash flow (after

financing costs) in the coming years and loans are repayable as of 2017 at the earliest with no early repayments other than an excess cash clause, which makes a going concern assumption appropriate.

### **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 an indefinite life (Note 3)
- Deferred tax assets (Note 3 and Note 8)
- Fair value of financial instruments (Note 3, Note 24 and Note 25)
- Other long-term employee benefits (Note 3 and Note 19)
- Provisions and contingencies (Note 3 and Note 19)

### **Change in accounting policies**

In the financial year 2011 the Company adopted the following new or revised standards and interpretations or amendments of standards and interpretations.

#### *IAS 24 "Related Party Disclosures"—definition of a related party (amendment)*

The IASB simplified the definition of a related party, clarifying its intended meaning and eliminating inconsistencies from the definition. The amendment did not impact the related parties of the Company.

#### *IAS 32 "Financial Instruments: Presentation"—Classification of Rights Issues (amendment)*

The amendment states that if certain rights are issued pro rata to all existing shareholders in the same class for a fixed amount of currency, they should be classified as equity regardless of the currency in which the exercise price is denominated. As the Company did not issue any rights for a fixed amount of foreign currency the amendment does not change current presentation.

#### *IFRIC 14 "IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"—Prepayments of a minimum funding requirement (amendment)*

IFRIC 14 was amended as entities in some circumstances were not permitted to recognise some prepayments for minimum funding contributions as an asset. Since the Company has not recognised any defined benefit assets this amendment has no impact on the Company's financial position.

#### *IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"*

IFRIC 19 addresses the accounting by an entity when the terms of a financial liability are renegotiated and result in the entity issuing equity instruments to a creditor to extinguish all or part of the financial liability. It does not address the accounting by the creditor. The new interpretation has no impact on the Company's financial position.

#### *Improvements to IFRSs (issued May 2010)*

The IASB made improvements to six standards and one interpretation. None of the improvements has an impact on the Company's financial position, result or disclosure.

The Company did not apply any other standard, interpretation or amendment issued but not yet effective in preparing the consolidated financial statements as at 31 December 2011.

### **Change in accounting estimate**

In the first quarter of 2011, the Company analyzed the attrition of customer relationships connected to its network. It was noted that actual attrition of customer relationships over the period 2007-2010 was marginal, whereas initially it was assessed that the number of customer relationships would substantially decline over a period of 10 to 15 years. As a result, management believes it is no longer able to estimate the useful life of the customer relationships and consequently assessed it to be indefinite. The Company will annually test the customer relationships for impairment and will no longer amortize.

The change is accounted for prospectively as from 1 April 2011 as a change in accounting estimates and as a result, the amortization charges of the Company for the current financial yearend amounted to €44.1 million (2010: 180.1 million).

### **3. Significant accounting policies**

The significant accounting policies applied in the preparation of the consolidated financial statements are presented below. These policies have been consistently applied through all years 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. The operating segment’s operating result is reviewed regularly by the Board of Management (Chief Operating Decision Maker) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Board of Management include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Performance of the segments is evaluated against several measures, of which operating income excluding depreciation and amortisation (EBITDA) is the most important. Segment assets and liabilities mainly 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 assumptions:

- Chief Operating Decision Maker (Board of Management of the Company) makes decisions on the basis of financial results for the Company as *one* company;
- The Company has only one geographic area in which it operates;
- The Company has an integrated network for all activities; and
- The Company’s investments and related costs are not allocated to its specific business lines or products.

#### **Business combinations and goodwill**

Business combinations are accounted for using the acquisition accounting method. 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 incurred are expensed and included in other operating expenses.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer’s previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss.

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

Any contingent consideration to be transferred by the acquirer will be 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 recognised in the income statement. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates until it is finally settled within equity.

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Company are accounted for as if the acquisition had occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established; for this purpose comparatives are adjusted. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Company’s controlling shareholder’s consolidated financial statements. The components of equity of the acquired entities are added to the same components within equity and any gain/loss arising is recognised directly in equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for a non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the consolidated income statement. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purposes of impairment testing, goodwill is allocated to each of the Company’s cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

### **Intangible assets**

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

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the economic benefits related to the intangible asset decreased. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing 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 annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life of the asset remains indefinite. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Customer lists, which are initially measured at fair value, are recognised as an asset with an indefinite life. The asset is tested for impairment at least annually.

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

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the assets and are recognised in the income statement when the asset is derecognised.

### **Property and Equipment**

Property and equipment is stated at cost less accumulated depreciation and accumulated impairment losses, if any. The cost includes direct costs (materials, replacement parts, direct labour and contracted work) and direct attributable overhead costs. 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 necessarily takes a substantial period of time to get ready for its intended use 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 expense of the Company.

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

|  | <u>Useful lives</u> |
|--|---------------------|
| 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 assets' residual values, useful lives and methods of depreciation are reviewed and adjusted if appropriate at each financial year-end. Any change in accounting caused by this review is applied prospectively.

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

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

Repairs and maintenance are charged to expense during the financial period in which they incur.

#### **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 an expense once they occur.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and 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 as an expense in the income statement on a straight-line basis over the lease term.

#### **Impairment of non-financial assets**

The Company assesses at each reporting date whether there is an indication that an 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 to sell 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 to sell, an appropriate valuation model is used. These calculations are corroborated by valuation multiples.

Impairment losses of continuing operations recognised in the income statement will be recorded in a separate line item in those 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 income statement. Impairment losses recognised in relation to goodwill are not reversed for subsequent increases in its recoverable amount.

Goodwill and other assets with an indefinite life 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 (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or group of cash-generating units) 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 contractual arrangement whereby the Company and one or more other parties undertake an economic activity through a jointly controlled entity. Associates are entities over which the Company has significant influence but not control, generally accompanying a shareholding of between 20 percent and 50 percent of the 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).

### **Inventories**

Inventories are measured at cost or net realisable value, whichever is the lower. 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 used. Sold inventory is included in the cost of goods sold.

### **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 the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement 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 the subscription or renewals.



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 finance cost.

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 present value of the defined benefit obligations, less the fair value of plan assets, adjusted for unrecognised actuarial gains or losses and unamortised past service costs. Any net asset resulting from this calculation is limited to unrecognised actuarial losses and 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 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. Actuarial gains and losses are recognised using the corridor approach, which assumes that actuarial gains and losses may offset each other over the long term. Under this approach, if, for a specific plan, the net unrecognised actuarial gains and losses at the reporting date exceed the greater of 10% of the fair value of the plan assets or 10% of the defined benefit obligation, the excess is taken into account in determining net periodic expense for the subsequent period. The amount then recognised in the subsequent period is the excess divided by the expected remaining average working lives of employees covered by that plan at the reporting date. Past service costs are recognised immediately to the extent that the associated benefits are already vested, and are otherwise amortised on a straight-line basis over the average period until the associated benefits become vested. Results from curtailments or settlements, including the related portion of net unrecognised actuarial gains and losses, are recognised immediately.

Contributions to defined contribution plans are recognised as an 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 income statement immediately.

## **Financial instruments**

### *Financial assets*

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

The Company derecognises a financial asset when the contractual rights to the cash flows from the 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. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

### *Financial assets at fair value through profit or loss*

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy.

Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

#### *Held-to-maturity financial assets*

If the Company has the positive intent and ability to hold securities to maturity (usually debt securities), then such financial assets are classified as held to maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

#### *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. 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 be able to 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. Impaired loans and receivables are derecognised when they are assessed as uncollectible.

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

#### *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

#### *Financial liabilities*

The Company initially recognises debt securities issued and subordinated liabilities on the date they originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the 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 or 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, and the difference in the respective carrying amounts is recognised in the income statement.

The Company classifies non-derivative financial liabilities into the other financial liabilities category. 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.

Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade accounts and other payables.

#### *Offsetting of financial assets and liabilities*

Financial assets and liabilities are offset and reported at the net amount in the consolidated statement of financial position if, and only if, Zesko B.V. has a legally enforceable right to set off the recognised

amounts, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

#### *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 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 reporting date, taking into account the current interest rates and creditworthiness of the swap counter parties.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 25. Movements on the hedging reserve in shareholders' equity are shown in the consolidated statement of changes in equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining term to maturity of the hedged item is more than 12 months, and as a current asset or liability 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.

##### (a) Fair value hedges

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item is amortised to profit or loss over the period to maturity.

##### (b) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'other net financial income and expense'.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within 'interest expense'. The gain or loss relating to the ineffective portion is recognised in the income statement within 'other net financial income and expense'.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is amortised to profit or loss in the period(s) when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within '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. The relevant types of revenue are recognised as follows:

*Rendered services* Revenue primarily comprises revenues earned from subscription and usage fees on the delivery of standard cable and digital pay television, broadband internet and telephony and services provided to the business market. Revenue from other sources primarily comprises revenue from the sale of goods. 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. 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 on delivery of the goods.

The Company may provide the subscriber with installation of the connection to its network and offers connection-related services. Revenue is recognised when the installation and services have been rendered.

### **Cost of goods sold**

Cost of goods sold includes the costs for purchases of materials and services directly related to revenue, such as authors' rights, interconnection costs, 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 income statement except to the extent that it relates to items recognised directly in equity. The current income tax benefit 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 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.

### **Cash flow statement**

The cash flow statement is prepared using the indirect method with a breakdown into cash flows from operating, investing and financing activities. The cash balances of purchased subsidiaries (cash acquired) are included in the consideration paid on acquisition (investing activities).

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 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 31 December 2011 and have not been applied in preparing these consolidated financial statements:

- IAS 12, "Income taxes"—Deferred Tax: recovery of Underlying Assets (amendment), effective 1 January, 2012
- IAS 1, Presentation of Financial Statements (amendment), effective 1 January, 2013

- IAS 19, Employee benefits (revised), effective 1 January, 2013
- IFRS 9, Financial Instruments: Fair Value Measurement (new), effective 1 January, 2013
- IFRS 10, Consolidated Financial Statements (new), effective 1 January, 2013
- IAS 27, Separate Financial Statements (revised), effective 1 January, 2013
- IFRS 11, Joint Arrangements (new), effective 1 January, 2013
- IAS 28, Investments in Associates and Joint Ventures (revised), effective 1 January, 2013
- IFRS 12, Disclosure of Interests in Other Entities(new), effective 1 January, 2013
- IFRS 13, Fair Value Measurement (new), effective 1 January, 2013
- IAS 32, Financial Instruments: Presentation—Offsetting (amendment), effective 1 January, 2014

The Company will introduce the new standards, amendments to standards and interpretations as of their effective date unless otherwise indicated. Adoption of these standards and interpretations is expected not to have an impact on the consolidated financial statements of Zesko B.V.

#### 4. Business combinations

On October 13, Ziggo has acquired 100% of the shares of Breezz Nederland B.V. (“Breezz”). Breezz is a provider of innovative business telephone services and caters to a network of value added resellers. The Company acquired Breezz because it enlarges the range of products the company can offer to small and medium-sized enterprises.

##### Assets acquired and liabilities assumed

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

| <u>Amounts in thousands of €</u>              | <u>Fair value recognised on acquisition</u> |
|---|---|
| <b>Assets</b>                                 |   |
| Intangible assets . . . . .                   | 46  |
| Property and equipment . . . . .              | 313   |
| Trade receivables . . . . .                   | 281   |
| Other current assets . . . . .                | 306   |
| Cash and cash equivalents . . . . .           | 457   |
|   | <u>1,403</u>                                |
| <b>Liabilities</b>                            |   |
| Loans from financial institutions . . . . .   | 16  |
| Other current liabilities . . . . .           | 1,148                                       |
|   | <u>1,164</u>                                |
| <b>Net asset value acquired . . . . .</b>     | <b>239</b>                                  |
| Goodwill arising on acquisition . . . . .     | 9,381                                       |
| <b>Total purchase consideration . . . . .</b> | <b><u>9,620</u></b>                         |
| The purchase consideration comprise of:       |   |
| Cash consideration . . . . .                  | 7,870                                       |
| Contingent consideration . . . . .            | 1,750                                       |
| <b>Total purchase consideration . . . . .</b> | <b><u>9,620</u></b>                         |

The fair value of the trade receivables amounts to €281. The gross amount of trade receivables does not materially differ from the fair value. None of the trade receivables has been impaired and it is expected that the full contractual amounts can be collected.

## Contingent consideration

As part of the purchase agreement with the previous owner of Breezz Nederland B.V. a contingent consideration has been agreed. Payment is condition upon realisation of certain criteria such as realisation of a minimum amount of revenue and gross margin. As at the acquisition date, the fair value of the contingent consideration was €1.8 million. If the contractual criteria are met, the maximum cash payable will not materially differ from the liability recorded. In the remainder of the year there were no changes in the underlying assumptions of the contingent consideration that required a change in the fair value of the discounted cash payment.

## Cash flow on acquisition

| <u>Amounts in thousands of €</u>                | <u>Fair value<br/>recognised<br/>on<br/>acquisition</u> |
|---|---|
| Net cash acquired with the subsidiary . . . . . | 457   |
| Cash consideration . . . . .                    | <u>(7,870)</u>  |
| <b>Net cash flow on acquisition . . . . .</b>   | <b><u>(7,413)</u></b>                                   |

The goodwill of €9.4 million comprises the value of expected future cash flows. Goodwill is allocated entirely to the cash generating unit Ziggo.

From the date of acquisition, Breezz contributed €1.5 million in revenues and €0.5 million to the operating income of the Company. If the combination had taken place at the beginning of the year, revenue from continuing operations would have been €5.2 million and the operating income from continuing operations would have been €1.8 million for the Company.

## 5. Revenues

The Company's revenues comprise the following:

| <u>Amounts in thousands of €</u>           | <u>2011</u>      | <u>2010</u>      |
|--|------------------|------------------|
| Standard cable subscriptions . . . . .     | 481,602          | 489,454          |
| Digital pay television services . . . . .  | 151,269          | 124,637          |
| Video . . . . .                            | 632,871          | 614,091          |
| Broadband Internet subscriptions . . . . . | 415,878          | 380,832          |
| Telephony subscriptions . . . . .          | 113,485          | 96,018           |
| Telephony usage . . . . .                  | 170,800          | 155,648          |
| Telephony . . . . .                        | <u>284,285</u>   | <u>251,666</u>   |
| Revenues from other sources . . . . .      | 57,436           | 51,745           |
| Total Residential Market . . . . .         | 1,390,470        | 1,298,334        |
| Business Services . . . . .                | <u>87,699</u>    | <u>77,408</u>    |
| Total revenues . . . . .                   | <u>1,478,169</u> | <u>1,375,742</u> |

Revenues generated from bundle subscriptions amount to €587.0 million (2010: €402.2 million) and have been allocated to the individual products Video, Broadband Internet and Telephony.

The Company's revenues are generated through a large customer base and no customer generates more than 10% of total revenues. Revenues from the sale of goods as at 31 December 2011 amount to €36.5 million (2010: €28.5 million).



## 6. Personnel expenses

The Company's personnel expenses comprise the following:

| <u>Amounts in thousands of €</u>                         | <u>2011</u>    | <u>2010</u>    |
|--|----------------|----------------|
| Wages and salaries . . . . .                             | 131,021        | 115,811        |
| Social security costs . . . . .                          | 14,183         | 13,925         |
| Pensions and other long-term employee benefits . . . . . | 15,358         | 14,965         |
| Other . . . . .  | 15,012         | 26,014         |
| Total personnel expenses . . . . .                       | <u>175,574</u> | <u>170,715</u> |

The number of internal employees as at 31 December 2011 of the Company in full time equivalents (FTEs) was 2,376 (2010: 2,203). The average number of internal employees in 2011 was 2,286 FTEs (2010: 2,211). For comparative purposes the average number of FTEs in 2010 has been adjusted.

Other personnel expenses comprise costs for temporary external personnel, other personnel expenses and capitalised personnel expenses. In 2011, costs for temporary external personnel amount to €52.7 million (2010: €53.9 million). Other personnel expenses in 2011 amount to €13.2 million (2010: €20.4 million) and capitalised personnel expenses amount to €50.9 million (2010: €48.3 million).

## 7. Net financial income and expense

| <u>Amounts in thousands of €</u>  | <u>2011</u>             | <u>2010</u>             |
|---|-------------------------|-------------------------|
| Interest on loans from financial institutions . . . . .                           | (167,651)               | (218,618)               |
| Interest on shareholder loans . . . . .   | (215,882)               | (195,247)               |
| Interest on 8.0% senior notes . . . . .   | (96,708)                | (62,591)                |
| Other interest expense . . . . .  | (1,599)                 | (2,014)                 |
| Capitalisation of borrowing cost . . . . .  | 9,378                   | 13,191                  |
| Interest expense . . . . .  | <u>(472,462)</u>        | <u>(465,279)</u>        |
| Interest income . . . . .   | 513                     | 214                     |
| Amortisation of financing fees, including write-offs of terminated facilities . . | (14,373)                | (53,737)                |
| Fees related to senior credit facility . . . . .                                  | —                       | (15,004)                |
| Fair value gains (losses) on derivative financial instruments . . . . .           | 26,176                  | (6,899)                 |
| Commitment fees . . . . .   | (2,363)                 | (2,843)                 |
| Foreign exchange results . . . . .  | (1,684)                 | (417)                   |
| Other net financial income and expense . . . . .                                  | <u>7,756</u>            | <u>(78,900)</u>         |
| <b>Net financial income (expense) . . . . .</b>                                   | <b><u>(464,193)</u></b> | <b><u>(543,965)</u></b> |

Other interest expense relates mainly to the interest added to provisions and long-term employee benefits. Interest income is mainly attributable to the interest on cash and cash equivalents.

## 8. Income taxes

The subsidiaries of the Company are incorporated in the fiscal unit of Zesko B.V. for corporate income tax purposes. Zesko B.V. is taxable at the sole entity level. For financial reporting purposes, its consolidated subsidiaries calculate their respective tax assets, tax liabilities and tax benefits on a consolidated tax return basis.

The Company's income tax comprises:

| <u>Amounts in thousands of €</u>       | <u>2011</u>    | <u>2010</u>   |
|--|----------------|---------------|
| Deferred tax assets . . . . .          | (33,414)       | 32,144        |
| Deferred tax liabilities . . . . .     | 25,630         | 39,118        |
| Income tax benefit (expense) . . . . . | <u>(7,784)</u> | <u>71,262</u> |

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

| <u>Amounts in thousands of €</u>                                | <u>Tax rate</u> | <u>2011</u>    | <u>Tax rate</u> | <u>2010</u>   |
|---|-----------------|----------------|-----------------|---------------|
| Profit (Loss) for the period . . . . .                          |                 | 22,456         |                 | (271,660)     |
| Notional tax income at statutory rates . . . . .                | 25.00%          | (5,613)        | 25.50%          | 69,273        |
| <i>Adjustments:</i>   |                 |                |                 |               |
| Non deductible items . . . . .                                  | 1.26%           | (282)          | -0.01%          | (17)          |
| Prior year adjustment net operating losses . . .                | 2.52%           | (565)          |                 | —             |
| Change in recovery of net operating losses . . .                | 5.90%           | (1,324)        |                 | —             |
| Deferred income (expense) due to changes in tax rates . . . . . |                 | —              | 0.74%           | 2,006         |
| Effective tax rate/Income tax benefit . . . . .                 | <u>34.67%</u>   | <u>(7,784)</u> | <u>26.23%</u>   | <u>71,262</u> |

The Company and the Dutch tax authorities have reached agreement on all income tax filings up to and until 2009. This resulted in a reduction of the deferred tax asset recognised for net operating losses of €1.889.

Income tax recognised within other comprehensive income comprises:

| <u>Amounts in thousands of €</u> | <u>2011</u>       |                    |                   | <u>2010</u>       |                    |                   |
|----------------------------------|-------------------|--------------------|-------------------|-------------------|--------------------|-------------------|
|                                  | <u>Before tax</u> | <u>Tax benefit</u> | <u>Net of tax</u> | <u>Before tax</u> | <u>Tax benefit</u> | <u>Net of tax</u> |
| Cash flow hedges . . . . .       | (10,385)          | 2,596              | (7,789)           | (20,133)          | 5,033              | (15,100)          |

The tax effects of temporary differences influencing significant portions of the deferred tax assets and deferred tax liabilities as of 31 December 2011 and 2010 are presented below:

| <u>Amounts in thousands of €</u>              | <u>1 January 2010</u> | <u>Recognised in profit or loss</u> | <u>Recognised in other comprehensive income</u> | <u>31 December 2010</u> | <u>Recognised in profit or loss</u> | <u>Recognised in other comprehensive income</u> | <u>31 December 2011</u> |
|---|-----------------------|-------------------------------------|---|-------------------------|-------------------------------------|---|-------------------------|
| Tax loss carry forwards . . .                 | 253,979               | 30,852                              | —   | 284,831                 | (26,870)                            | —   | 257,961                 |
| Derivative financial instruments . . . . .    | 26,076                | 1,292                               | (4,123)   | 23,245                  | (6,544)                             | (2,437)   | 14,264                  |
| Deferred tax assets . . . . .                 | 280,055               | 32,144                              | (4,123)   | 308,076                 | (33,414)                            | (2,437)   | 272,225                 |
| Intangible assets . . . . .                   | (443,119)             | 52,217                              | —   | (390,902)               | 8,037                               | —   | (382,865)               |
| Property and equipment . .                    | (4,409)               | (13,099)                            | —   | (17,508)                | 17,593                              | —   | 85                      |
| Deferred tax liabilities . . .                | (447,528)             | 39,118                              | —   | (408,410)               | 25,630                              | —   | (382,780)               |
| Deferred tax assets and liabilities . . . . . | <u>(167,473)</u>      | <u>71,262</u>                       | <u>(4,123)</u>                                  | <u>(100,334)</u>        | <u>(7,784)</u>                      | <u>(2,437)</u>                                  | <u>(110,555)</u>        |

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

Recognised deferred tax assets reflect management's estimate of realisable amounts. The amounts of tax loss carry forwards are subject to assessment by local tax authorities.

The expiration of the available tax loss carry forwards and recognised tax assets is as follows:

| <u>Amounts in thousands of €</u>                                   | <u>2011</u>               |                           | <u>2010</u>               |                           |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
|  | <u>Net Operating loss</u> | <u>Deferred tax asset</u> | <u>Net Operating loss</u> | <u>Deferred tax asset</u> |
| Tax losses for which no deferred tax asset is recognised . . . . . | —                         | —                         | 406,676                   | —                         |
| Tax losses for which a deferred tax asset is recognised . . . . .  | 1,031,840                 | 257,960                   | 1,139,329                 | 284,831                   |
| Total . . . . .  | <u>1,031,840</u>          | <u>257,960</u>            | <u>1,546,005</u>          | <u>284,831</u>            |

| <u>Amounts in thousands of €</u>   | <u>2011</u>      |
|------------------------------------|------------------|
| 31 December 2012 . . . . .         | 168,561          |
| 31 December 2013 . . . . .         | 61,599           |
| 31 December 2014 . . . . .         | 15,975           |
| 31 December 2015 . . . . .         | 64,844           |
| 31 December 2016 . . . . .         | 205,608          |
| 31 December 2017 . . . . .         | 172,585          |
| 31 December 2018 . . . . .         | 199,343          |
| 31 December 2019 . . . . .         | 143,325          |
| 31 December 2020 . . . . .         | 0                |
| Total net operating loss . . . . . | <u>1,031,840</u> |

## 9. Intangible assets

The Company's intangible assets comprise:

| <u>Amounts in thousands of €</u>                 | <u>Goodwill</u>  | <u>Customer lists</u> | <u>Software</u> | <u>Total</u>     |
|--|------------------|-----------------------|-----------------|------------------|
| Balance as of 1 January 2010 . . . . .           | 1,773,068        | 1,762,453             | 63,539          | 3,599,060        |
| Additions . . . . .                              | —                | 4                     | 50,810          | 50,814           |
| Reclassifications . . . . .                      | —                | 602                   | (24,971)        | (24,369)         |
| Disposals . . . . .                              | —                | (4)                   | 1               | (3)              |
| Amortisation and impairment . . . . .            | —                | (180,176)             | (38,421)        | (218,597)        |
| Total changes in 2010 . . . . .                  | —                | (179,574)             | (12,581)        | (192,155)        |
| Cost . . . . .                                   | 1,773,068        | 2,401,568             | 238,510         | 4,413,146        |
| Accumulated amortisation . . . . .               | —                | (818,689)             | (187,552)       | (1,006,241)      |
| Balance as of 31 December 2010 . . . . .         | <u>1,773,068</u> | <u>1,582,879</u>      | <u>50,958</u>   | <u>3,406,905</u> |
| Additions . . . . .                              | —                | —                     | 23,847          | 23,847           |
| Acquired through business combinations . . . . . | 9,381            | —                     | 46              | 9,427            |
| Disposals . . . . .                              | —                | —                     | (504)           | (504)            |
| Amortisation and impairment . . . . .            | —                | (44,124)              | (35,815)        | (79,939)         |
| Total changes in 2011 . . . . .                  | 9,381            | (44,124)              | (12,426)        | (47,169)         |
| Cost . . . . .                                   | 1,782,449        | 2,401,568             | 261,899         | 4,445,916        |
| Accumulated amortisation . . . . .               | —                | (862,813)             | (223,367)       | (1,086,180)      |
| Balance as of 31 December 2011 . . . . .         | <u>1,782,449</u> | <u>1,538,755</u>      | <u>38,532</u>   | <u>3,359,736</u> |

### Intangible assets with an indefinite life

In 2008 the former operating companies Multikabel, Casema and @Home merged into Ziggo. As a result of the merger one cash-generating unit, Ziggo, remains. All goodwill acquired through business combinations has been allocated for impairment testing purposes to the cash-generating unit at which management monitors the operating results. Customer lists acquired upon the acquisitions have initially been amortised on a straight line basis in 12-14 years. As from April 2011 the Company ceased amortising its customer lists as it was concluded that the useful life of customer relationships connected to the Company's network is indefinite (See Note 2). Consequently the asset is subject to impairment testing for assets with an indefinite life as discussed in Note 3.

#### Goodwill

Value in use calculations for goodwill are based on cash flow projections covering a maximum period of five years; the three-year financial budgets approved by the Company's management and the years beyond the three year financial budget are based on models over this projection period using growth rates that do not exceed the long-term average growth rate and are consistent with forecasts included in industry reports.

The key assumptions used in the goodwill impairment test are set out below:

*Cash flow*—Free cash flow consists of revenues, costs and capital expenditure levels. Revenues are estimated based on historic growth numbers and expected future market penetration levels, resulting in related costs and capital expenditures.

*Discount rate*—The pre-tax discount rate is calculated taking into account the relative weights of each component of the 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 2011 goodwill impairment test is 8.31% (2010: 8.09%).

*Growth rate*—The growth rates in the three-year financial budgets reflect historic growth numbers and current market developments. The years beyond the three-year financial budget are extrapolated using estimated growth rates that do not exceed the long-term average growth rate and are consistent with forecasts included in industry reports.

#### *Customer lists*

Value in use calculations for the customer lists are based on revenue generated from those customer relationships that have been acquired at the date of acquisition.

The key assumptions used are set out below:

*Revenues*—Revenue are estimated based on historic growth numbers and expected future market penetration levels, resulting in related costs and capital expenditures.

*Attrition*—Attrition represents the expected decline of the customer relationships and is based on both historical information as well as management expectations and market developments.

*Discount rate*—The pre-tax discount rate is calculated taking into account the relative weights of each component of the 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 2011 customer list impairment test is 8.31%.

#### *Sensitivity to changes in assumptions*

With regard to the assessment of value in use management believes that no reasonably possible change in any of the above key assumptions would cause the carrying value of the unit to materially exceed its recoverable amount.

#### **Software**

During 2011 the Company impaired capitalised development of software for an amount of €1.8 million (2010: €9.8 million) as the expected future benefits of the related projects decreased over time.

## 10. Property and equipment

The Company's property and equipment comprises:

| <u>Amounts in thousands of €</u>                 | <u>Network</u> | <u>Land</u> | <u>Other</u> | <u>Assets under construction</u> | <u>Total</u> |
|--|----------------|-------------|--------------|----------------------------------|--------------|
| Balance as of 1 January 2010 . . . . .           | 1,275,422      | 2,648       | 40,414       | 231,180                          | 1,549,664    |
| Additions . . . . .                              | 200,692        | —           | 61,812       | (92,444)                         | 170,060      |
| Reclassification . . . . .                       | 718            | —           | 23,651       | —                                | 24,369       |
| Depreciation and impairment . . . . .            | (245,523)      | —           | (38,625)     | —                                | (284,148)    |
| Total changes in 2010 . . . . .                  | (44,113)       | —           | 46,838       | (92,444)                         | (89,719)     |
| Cost . . . . .                                   | 4,329,758      | 2,648       | 183,007      | 138,736                          | 4,654,149    |
| Accumulated depreciation . . . . .               | (3,098,449)    | —           | (95,755)     | —                                | (3,194,204)  |
| Balance as of 31 December 2010 . . . . .         | 1,231,309      | 2,648       | 87,252       | 138,736                          | 1,459,945    |
| Additions . . . . .                              | 217,442        | 375         | 12,775       | (1,450)                          | 229,142      |
| Acquired through business combinations . . . . . | —              | —           | 313          | —                                | 313          |
| Depreciation and impairment . . . . .            | (236,176)      | —           | (31,838)     | —                                | (268,014)    |
| Total changes in 2011 . . . . .                  | (18,734)       | 375         | (18,750)     | (1,450)                          | (38,559)     |
| Cost . . . . .                                   | 4,547,200      | 3,023       | 196,095      | 137,286                          | 4,883,604    |
| Accumulated depreciation . . . . .               | (3,334,625)    | —           | (127,593)    | —                                | (3,462,218)  |
| Balance as of 31 December 2011 . . . . .         | 1,212,575      | 3,023       | 68,502       | 137,286                          | 1,421,386    |

### *Network*

The additions to the network include capitalised borrowing costs of €9.4 million (2010: €13.2 million). Generally, the capitalisation rate used to determine the amount of capitalised borrowing costs is a weighted average of the interest rate applicable. For 2011 an interest rate is applied of 7.00% (2010: 7.04%).

During 2011 the Company did not recognise any impairments for property and equipment (2010: €1.1 million).

Mortgages on all registered properties, related movable assets and the network-related elements have been established under the Senior Credit Facilities as explained in Note 17.

### *Assets under construction*

Assets under construction relates to the integration of the Company's business support system and operational support system and the integration and expansion of the Company's network and IT infrastructure. Included in assets under construction is software, which is recognised as intangible asset once in use.

## 11. Other non-current financial assets

Financial assets consist of long-term prepaid expenses (related to information technology contracts) of €372 (2010: €345) and loans to personnel of €30 (2010: €51).

## 12. Inventories

| <u>Amounts in thousands of €</u>       | <u>2011</u> | <u>2010</u> |
|--|-------------|-------------|
| Equipment and cables . . . . .         | 8,487       | 8,575       |
| Set-top boxes . . . . .                | 18,465      | 7,858       |
| Customer premises equipment . . . . .  | 6,946       | 2,570       |
| Allowance for obsolete stock . . . . . | (1,718)     | (457)       |
| Total Inventories . . . . .            | 32,180      | 18,546      |

Movements in the allowance for obsolete stock are as follows:

| <u>Amounts in thousands of €</u> | <u>2011</u>  | <u>2010</u> |
|----------------------------------|--------------|-------------|
| At 1 January . . . . .           | 457          | 258         |
| Additions . . . . .              | 1,926        | 228         |
| Used . . . . .                   | (665)        | (29)        |
| At 31 December . . . . .         | <u>1,718</u> | <u>457</u>  |

### 13. Trade accounts receivable

Trade accounts receivable as at 31 December 2011 amount to €25.8 million (2010: €20.1 million). The allowance for doubtful accounts is calculated on an individual basis and on a portfolio basis for groups of receivables that are not individually identified. The doubtful accounts allowance reflects probable losses in the account receivable balance based on historical experience by type of trade debtor and other currently available evidence.

Movements in the allowance for doubtful accounts are as follows:

| <u>Amounts in thousands of €</u> | <u>2011</u>  | <u>2010</u>  |
|----------------------------------|--------------|--------------|
| At 1 January . . . . .           | 8,706        | 14,304       |
| Additions . . . . .              | 1,315        | 6,136        |
| Used . . . . .                   | (2,182)      | (9,400)      |
| Released . . . . .               | (2,736)      | (2,334)      |
| At 31 December . . . . .         | <u>5,103</u> | <u>8,706</u> |

A pledge has been given on all receivables as mentioned in Note 17.

Trade accounts receivable are non-interest-bearing and are generally due on 30 days' terms. Note 24 discloses the Company's credit risk related to the trade accounts receivable.

### 14. Other current assets

| <u>Amounts in thousands of €</u>  | <u>31 December 2011</u> | <u>31 December 2010</u> |
|-----------------------------------|-------------------------|-------------------------|
| Prepaid expenses . . . . .        | 11,190                  | 17,682                  |
| Revenues to be invoiced . . . . . | 14,965                  | 14,606                  |
| Related parties . . . . .         | 617                     | —                       |
| Other current assets . . . . .    | 41                      | 43                      |
| Total current assets . . . . .    | <u>26,813</u>           | <u>32,331</u>           |

### 15. 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 bank deposit rates.

A pledge has been given on the accounts of the Company as mentioned in Note 17.

### 16. 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 1000 shares of €100 each.

Other reserves represents the cash flow hedge reserve.



## 17. Interest-bearing loans

| <u>Amounts in thousands of €</u>            | <u>31 December<br/>2011</u> | <u>31 December<br/>2010</u> |
|---|-----------------------------|-----------------------------|
| Loans from financial institutions . . . . . | 2,077,533                   | 2,320,731                   |
| 8.0% Unsecured Notes, due 2018 . . . . .    | 1,179,710                   | 1,176,530                   |
| Interest bearing loans . . . . .            | <u>3,257,243</u>            | <u>3,497,261</u>            |

Movements in total interest-bearing loans are as follows:

| <u>Amounts in thousands of €</u>                    | <u>2011</u>      | <u>2010</u>      |
|---|------------------|------------------|
| Balance at 1 January . . . . .                      | 3,497,261        | 3,712,042        |
| Repayments on loans including refinancing . . . . . | (708,858)        | (2,204,629)      |
| Facility F . . . . .                                | 460,431          | —                |
| Issuance of senior notes and Facility E . . . . .   | —                | 1,950,037        |
| Financing fees . . . . .                            | (6,631)          | (36,404)         |
| Interest accretion Mezzanine loan . . . . .         | —                | 22,478           |
| Amortisation of financing fees . . . . .            | 15,040           | 53,737           |
| Balance at 31 December . . . . .                    | <u>3,257,243</u> | <u>3,497,261</u> |

### Loans from financial institutions

Loans from financial institutions can be broken down into the following facilities:

| <u>Amounts in thousands of €</u>              | <u>Interest rate</u> | <u>Maturity</u> | <u>31 December<br/>2011</u> | <u>31 December<br/>2010</u> |
|---|----------------------|-----------------|-----------------------------|-----------------------------|
| <b>Senior Credit Facilities</b>               |                      |                 |                             |                             |
| Facility A . . . . .                          | EURIBOR +2.00%       | 2013            | —                           | 35,238                      |
| Facility B . . . . .                          | EURIBOR +3.00%       | 2017            | 922,906                     | 1,091,911                   |
| Facility C . . . . .                          | EURIBOR +3.50%       | 2015            | —                           | 254,615                     |
| Facility D . . . . .                          | EURIBOR +4.75%       | 2016            | —                           | 250,000                     |
| Facility E loan (Sr. Secured Notes) . . . . . | 6.125%               | 2017            | 750,000                     | 750,000                     |
| Facility F loan . . . . .                     | EURIBOR +3.25%       | 2017            | 460,431                     | —                           |
| <b>Total</b> . . . . .                        |                      |                 | <u>2,133,337</u>            | <u>2,381,764</u>            |
| <b>Financing fees</b> . . . . .               |                      |                 | (55,804)                    | (61,033)                    |
| <b>Total</b> . . . . .                        |                      |                 | <u>2,077,533</u>            | <u>2,320,731</u>            |

#### *Senior Credit Facilities*

##### *Facility A loan*

During 2011 the Company made prepayments on the Facility A loan for an amount of €35.2 million (2010: €170.0 million).

##### *Facility B loan*

During 2011 the Company made prepayments on the Facility B loan for an amount of €169.0 million (2010: €8.1 million). In 2011 the maturity date of the Facility B loan was extended from 2014 to 2017.

##### *Facility C loan*

During 2011 the Company made prepayments on the Facility C loan for an amount of €254.6 million (2010: €845.4 million). The prepayment on the Facility C loan is financed by the issuance of the Facility F loan.

##### *Facility D loan*

During 2011 the Company made prepayments on the Facility D loan for an amount of €250.0 million (2010: nil). The prepayment on the Facility D loan is financed by the issuance of the Facility F loan.

### *Facility E loan*

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. Interest on the Notes is payable semi-annually on 15 May and 15 November of each year. Ziggo Finance B.V. granted the proceeds of the Senior Secured Notes to Plinius Investments II B.V. and Serpering Investments B.V., both of which are indirectly wholly owned subsidiaries of the Company. The Senior Secured Notes are presented under loans from financial institutions as Facility E loan.

The Facility E loan is stated at amortised cost. Financing fees have been charged for an amount of €10.6 million, which are presented as a deduction from the loan. The subsequent effective interest rate is 6.37%, which is recognised as financial expense.

### *Facility F loan*

In May 2011 the Company entered into an agreement for €460.4 million, the Facility F loan, which fully refinances both the Facility C loan and the Facility D loan. Interest on the Facility F loan is Euribor+3.25% and is paid monthly. Financing fees have been charged for an amount of €10.6 million, which are presented as a deduction from the loan.

*Revolving and capital expenditure restructuring facility* Under the Senior Credit Facility agreement the Company has an uncommitted revolving credit facility of €150.0 million which is covered by a committed bilateral ancillary facility of €50.0 million by one of our lenders and an uncommitted capital expenditure restructuring facility of €250.0 million. During the year 2011 there were no drawings under these facilities (2010: nil). The Company pays an annual fee for the availability of the facilities, which is recognised in financial income and expense.

### *Prepayment*

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

### *Securitisation*

The total Senior Credit Facility is secured over the Company's tangible assets as follows:

- Mortgage on all registered properties, related movable assets, the network-related elements and the claims;
- Pledges on all bank accounts, intellectual property rights, receivables and movable assets.

The Company needs to comply on a quarterly basis with covenants set by the lenders of the senior credit facility. These covenants are the interest coverage ratio and net leverage ratio. These financial covenants were all met during the years 2011 and 2010.

*Financing fees* Financing fees associated with the issuance of the facilities are subtracted from the loans from financial institutions and amortised over the period of the related loan. Amortisation costs on financing fees are recognised as other net financial income and expense in financial income and expense.

### **8.0% Senior Notes**

On 27 April 2010, Ziggo Bond Company B.V., an indirect, wholly owned subsidiary of the Company, issued unsecured Senior Notes for an amount of €1,208.9 million at a price of 99.271% with a nominal interest rate of 8.0% due in 2018. Interest on the notes is payable semi-annually on 15 May and 15 November.

The notes are senior obligations of the Company and are guaranteed on a senior subordinated basis by all of the subsidiaries of Ziggo Bond Company B.V. Financing fees have been charged in the amount of €25.9 million, which are presented as a deduction from the loan. The subsequent effective interest rate is 8.38%, which is recognised as financial expense.

## 18. Interest-bearing loans from shareholders

Interest-bearing loans from shareholders consists of three loans from the parent company Even Investments 2 Sàrl:

- A loan for an amount of €217.5 million (2010: €190.5 million), subject to 14.125% interest;
- A loan for an amount of €2.063.6 million (2010: €1,874.7 million), subject to 10.08% interest;
- A loan for an amount of €0.1 million (2010: 0.1 million) which is not subject to interest.

All loans stated above are subordinated and repayable in full at the end of 2015. Any unpaid interest is added to the loan and is also repayable at the end of 2015. During the year 2011 interest expense on these loans amounted to €215.9 million (2010: €195.2 million).

## 19. Provisions

| Amounts in thousands of €           | Other long term employee benefits | Restructuring | Legal claims | Other   | Total    |
|-------------------------------------|-----------------------------------|---------------|--------------|---------|----------|
| At 31 December 2009 . . . . .       | 14,420                            | 9,797         | 12,292       | 1,605   | 38,114   |
| Additions (including interest cost) | 1,433                             | 2,501         | 780          | 6,131   | 10,845   |
| Usage . . . . .                     | (1,054)                           | (7,369)       | —            | (536)   | (8,959)  |
| Released . . . . .                  | (1,041)                           | (7)           | (710)        | (935)   | (2,693)  |
| At 31 December 2010 . . . . .       | 13,758                            | 4,922         | 12,362       | 6,265   | 37,307   |
| Current . . . . .                   | 1,166                             | 3,806         | —            | 2,166   | 7,138    |
| Non-current . . . . .               | 12,592                            | 1,116         | 12,362       | 4,099   | 30,169   |
| At 31 December 2010 . . . . .       | 13,758                            | 4,922         | 12,362       | 6,265   | 37,307   |
| Additions (including interest cost) | 1,178                             | 1,369         | 5,083        | 7,449   | 15,079   |
| Usage . . . . .                     | (1,420)                           | (3,503)       | —            | (1,896) | (6,819)  |
| Released . . . . .                  | (372)                             | (763)         | (12,654)     | —       | (13,789) |
| At 31 December 2011 . . . . .       | 13,144                            | 2,025         | 4,791        | 11,818  | 31,778   |
| Current . . . . .                   | 1,552                             | 1,400         | —            | 3,940   | 6,892    |
| Non-current . . . . .               | 11,592                            | 625           | 4,791        | 7,878   | 24,886   |
| At 31 December 2011 . . . . .       | 13,144                            | 2,025         | 4,791        | 11,818  | 31,778   |

### Defined benefit plans

The Company provides pension plans for qualifying employees. The plans are multi-employer defined benefit plans with publicly or privately administered pension insurance organisations (so called ‘bedrijfstak-pensioenfondsen’). 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. The Company has no obligations for deficits other than higher future pension-insurance payments. The Company pays contributions on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses in the income statement when they are due.

At 31 December 2011 the main administered pension insurance organisation had a coverage ratio of 94% (2010: 105%).

### 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 1 January 1957 or employees born before 1 January 1959 and in service for at least 25 years as at 31 December 2008;

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

According to the plan rules, 75% of the working time reduction is compensated by the Company. The employee benefit plan is wholly unfunded and consequently the Company 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 income statement as a component of personnel expenses, was as follows:

| <u>Amounts in thousands of €</u>    | <u>2011</u> | <u>2010</u> |
|-------------------------------------|-------------|-------------|
| Service cost . . . . .              | 772         | 943         |
| Interest cost . . . . .             | 406         | 490         |
| Actuarial (gains)/losses . . . . .  | (372)       | (1,041)     |
| Net periodic benefit cost . . . . . | <u>806</u>  | <u>392</u>  |

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

| <u>Amounts in thousands of €</u>                    | <u>2011</u>   | <u>2010</u>   |
|---|---------------|---------------|
| Defined benefit obligation at 1 January . . . . .   | 13,758        | 14,420        |
| Service cost . . . . .                              | 772           | 943           |
| Interest cost . . . . .                             | 406           | 490           |
| Actuarial (gains)/losses . . . . .                  | (372)         | (1,041)       |
| Benefits paid . . . . .                             | (1,420)       | (1,054)       |
| Defined benefit obligation at 31 December . . . . . | <u>13,144</u> | <u>13,758</u> |

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 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 judgment. The key assumptions required to calculate the actuarial present value of benefit obligations and net periodic benefit expense are as follows:

|   | <u>2011</u>                   | <u>2010</u> |
|---|-------------------------------|-------------|
| Discount rate . . . . .                                   | 2.60%                         | 2.90%       |
| Price inflation . . . . .                                 | 1.00%                         | 1.00%       |
| Future salary increase . . . . .                          | 1.00%                         | 1.00%       |
| Turnover rates . . . . .                                  | 0.50%–1.00%                   | 0.50%–1.00% |
| Additional turnover rate early retirement at 62 . . . . . | 10.00%                        | 10.00%      |
| Mortality table . . . . .                                 | AG Generation table 2010–2060 |             |

The Company applies defined benefit accounting for the other long-term employee benefit plan as of 1 January 2009. As a consequence the Company is only able to provide an experience table of three years with the defined benefit obligation:

| <u>Amounts in thousands of €</u>             | <u>2011</u>  | <u>2010</u>    |
|--|--------------|----------------|
| Effect of change(s) in assumptions . . . . . | 159          | 244            |
| Experience adjustments . . . . .             | (531)        | (1,285)        |
| Actuarial (gains) losses . . . . .           | <u>(372)</u> | <u>(1,041)</u> |

### **Restructuring provision**

In 2007, the Company entered into an agreement with the Works Council for a social plan with respect to the restructuring of the head office organisation resulting in a workforce reduction. Management approved a detailed formal restructuring plan and the restructuring was announced to the parties concerned. The restructuring plan was executed in 2008 and 2009. Employees were able to apply for the social plan until the end of 2009. The number of employees that applied exceeded management's initial expectation and consequently the restructuring provision was increased in both 2010 and 2009.

## Legal claims provision

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

## Other provisions

Other provisions include asset retirement obligations and onerous contracts.

## 20. Other non-current liabilities

In 2011 the Company gained a 50% interest in ZUM B.V., a jointly controlled entity involved in mobile telecommunications and a 50% interest in the jointly controlled entity HBO Nederland Coöperatief U.A. involved in broadcasting television series. The Company accounts for its interest in the joint ventures based on the equity method.

The joint ventures have contingent liabilities for an amount of €49 as at 31 December 2011.

## 21. Other current liabilities

The Company's other current liabilities comprise the following:

| <u>Amounts in thousands of €</u>      | <u>31 December<br/>2011</u> | <u>31 December<br/>2010</u> |
|---------------------------------------|-----------------------------|-----------------------------|
| Accrued interest . . . . .            | 18,601                      | 20,179                      |
| Accrued expenses . . . . .            | 57,772                      | 67,756                      |
| Taxes and social securities . . . . . | 19,927                      | 15,129                      |
| Accrued employee benefits . . . . .   | 15,186                      | 12,938                      |
| Related parties . . . . .             | 730                         | —                           |
| Other . . . . .                       | 8                           | 1,569                       |
| Total . . . . .                       | <u>112,224</u>              | <u>117,571</u>              |

## 22. 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 coming periods are shown in the following schedule:

| <u>Amounts in thousands of €</u> | <u>31 December 2011</u> |                            |               | <u>31 December<br/>2010</u> |
|----------------------------------|-------------------------|----------------------------|---------------|-----------------------------|
|                                  | <u>Buildings</u>        | <u>Other<br/>contracts</u> | <u>Total</u>  | <u>Total</u>                |
| Within 1 year . . . . .          | 6,330                   | 6,160                      | 12,490        | 13,983                      |
| Between 1 and 5 years . . . . .  | 27,440                  | 9,744                      | 37,184        | 34,765                      |
| After 5 years . . . . .          | 15,088                  | —                          | 15,088        | 7,891                       |
| Total . . . . .                  | <u>48,858</u>           | <u>15,904</u>              | <u>64,762</u> | <u>56,639</u>               |

### Purchase commitments

The Company enters into purchase commitments in the ordinary course of business. As at 31 December 2011 it had purchase commitments for an amount of €56 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 financial condition, 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 19.

### Guarantees

The company has provided guarantees to unrelated parties for an amount of €4.2 million (2010: €5.1 million).

## 23. 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

For details on the shareholders loans received from Even Investments 2 Sàrl, reference is made to Note 18. Furthermore, management fees of €0.5 million (2010: €0.5 million) were charged by the ultimate shareholders to the Company.

As at year-end 2011 the Company has a current account receivable with ZUM B.V. of €617 and a current account receivable with HBO Nederland Coöperatief U.A. of €232. During the year there were no sales with any associated companies.

In the normal course of business, the Company and its subsidiaries maintain various types of ordinary 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.

### Remuneration of the Board of Management of the Company

As of 31 December 2011, the members of the Board of Management of the Company are:

- Mr. B.E. Dijkhuizen (Chief Executive Officer)
- Mr. H.L.L. Groenewegen (Chief Financial Officer)
- Mr. P.J. Hendriks (Chief Technology Officer)
- Mr. M.J. Nijhoff (Chief Commercial Officer)

The aggregated remuneration of the Board of Management members B.E. Dijkhuizen, H.L.L. Groenewegen (as from March 2010), W.R. Blom (until March 2010), P.J. Hendriks and M.J. Nijhoff can be broken down as follows:

| <u>Amounts in thousands of €</u> | <u>2011</u>  | <u>2010</u>  |
|----------------------------------|--------------|--------------|
| Wages and salaries . . . . .     | 1,564        | 1,498        |
| Bonus payments . . . . .         | 897          | 563          |
| Social security costs . . . . .  | 27           | 28           |
| Pension costs . . . . .          | 245          | 218          |
| Total . . . . .                  | <u>2,733</u> | <u>2,307</u> |

### Remuneration of the Supervisory Board of the Company

The aggregated remuneration of Supervisory Board members in 2011 amounts to €405 (2010: €376). For comparison purposes remuneration of Supervisory Board members in 2010 has been adjusted.

## 24. 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 program, the Company's exposure, objectives, policies and processes for measuring and managing risk are presented below.



## Credit risk

The credit risk on residential trade accounts receivable is considered to be low as a result of the large residential 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 larger receivables per customer than for the Company's residential 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 |
| 2011                      | 25,753 | 18,493   | 2,002      | 1,249                      | 1,806       | 2,203        | —         |
| 2010                      | 20,086 | 11,269   | 2,248      | 1,182                      | 1,526       | 1,186        | 2,675     |

The Company's maximum exposure to credit risk in the event that a counterparty fails to fulfil its 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 projected cash flows over rolling periods of six months.

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

| 31 December 2011                            | Carrying amount    | Contractual cash flows | January-March 2012 | April-December 2012 | 2013             | 2014-2016          | After 2016         |
|---|--------------------|------------------------|--------------------|---------------------|------------------|--------------------|--------------------|
| <b>Non—derivative financial liabilities</b> |                    |                        |                    |                     |                  |                    |                    |
| Loans from financial institutions           | (2,133,337)        | (2,725,706)            | (25,272)           | (77,219)            | (102,491)        | (307,474)          | (2,213,250)        |
| Loans from shareholders                     | (2,281,218)        | (3,399,080)            | —                  | —                   | —                | (3,399,080)        | —                  |
| 8.0% Unsecured Notes                        | (1,179,710)        | (1,824,602)            | (23,846)           | (72,862)            | (96,708)         | (290,124)          | (1,341,062)        |
| Trade accounts payable                      | (74,417)           | (74,417)               | (74,417)           | —                   | —                | —                  | —                  |
| <b>Derivative financial liabilities</b>     |                    |                        |                    |                     |                  |                    |                    |
| Interest rate swaps used for hedging        | (57,063)           | (50,614)               | (5,669)            | (17,007)            | (22,350)         | (5,588)            | —                  |
| <b>Total</b>                                | <b>(5,725,745)</b> | <b>(8,074,419)</b>     | <b>(129,204)</b>   | <b>(167,088)</b>    | <b>(221,549)</b> | <b>(4,002,266)</b> | <b>(3,554,312)</b> |
| <hr/>                                       |                    |                        |                    |                     |                  |                    |                    |
| 31 December 2010                            | Carrying amount    | Contractual cash flows | January-March 2011 | April-December 2011 | 2012             | 2013-2015          | After 2015         |
| <b>Non—derivative financial liabilities</b> |                    |                        |                    |                     |                  |                    |                    |
| Loans from financial institutions           | (2,381,764)        | (2,965,147)            | (27,145)           | (82,942)            | (110,086)        | (1,656,328)        | (1,088,646)        |
| Loans from shareholders                     | (2,065,336)        | (3,399,080)            | —                  | —                   | —                | (3,399,080)        | —                  |
| 8.0% Unsecured Notes                        | (1,176,530)        | (1,921,310)            | (23,846)           | (72,862)            | (96,708)         | (290,124)          | (1,437,770)        |
| Trade accounts payable                      | (80,165)           | (80,165)               | (80,165)           | —                   | —                | —                  | —                  |
| <b>Derivative financial liabilities</b>     |                    |                        |                    |                     |                  |                    |                    |
| Interest rate swaps used for hedging        | (92,986)           | (126,021)              | (18,908)           | (45,059)            | (27,580)         | (34,474)           | —                  |
| <b>Total</b>                                | <b>(5,796,781)</b> | <b>(8,491,723)</b>     | <b>(150,064)</b>   | <b>(200,863)</b>    | <b>(234,374)</b> | <b>(5,380,006)</b> | <b>(2,526,416)</b> |

## Market risk

The Company is exposed to 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 exposures, the Company selectively enters into derivatives to manage the related risk exposures.

*Interest rate risk*

Exposure to the risk of changes in the 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 50% of its borrowings at fixed rates of interest. The net interest rate risk can be analysed as follows:

| <u>Amounts in thousands of €</u>                             | <u>31 December<br/>2011</u> | <u>31 December<br/>2010</u> |
|--|-----------------------------|-----------------------------|
| Notional amount borrowing (floating) . . . . .               | (1,383,337)                 | (1,631,764)                 |
| Cash (floating) & deposits (floating and/or fixed) . . . . . | 112,697                     | 67,003                      |
| Notional amount IRS (fixed) . . . . .                        | <u>1,000,000</u>            | <u>2,670,500</u>            |
| Net interest rate risk . . . . .                             | (270,640)                   | 1,105,739                   |
| Notional amount IRS—offset . . . . .                         | —                           | <u>1,142,500</u>            |
| Net interest rate risk—including offset IRS . . . . .        | <u>(270,640)</u>            | <u>(36,761)</u>             |

At 31 December 2011, after taking into account the effect of interest rate swaps, approximately 95% of the Company's borrowings are at a fixed interest rate (2010: 99%).

*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 tax (through the impact on floating rate borrowings). There is no impact on the Company's equity.

| <u>Amounts in thousands of €</u>         | <u>31 December<br/>2011</u> | <u>31 December<br/>2010</u> |
|--|-----------------------------|-----------------------------|
| <b>Increase/decrease in basis points</b> |                             |                             |
| +20bp . . . . .                          | (541)                       | (74)                        |
| +10bp . . . . .                          | (271)                       | (37)                        |
| – 10bp . . . . .                         | 271                         | 37                          |
| – 20bp . . . . .                         | 541                         | 74                          |

*Foreign currency risk*

The Company has transactional currency exposures arising from purchases in USD. The Company enters into foreign exchange swaps to partially mitigate this risk. As at 31 December 2011 the net foreign currency exposure of the USD amounts to USD 12.7 million (2010: USD 7.9 million) and relates to the net amount of cash and cash equivalents and trade accounts payable. At year-end the Company did not hedge this position (2010: USD 2.9 million).

## 25. 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 €                               | 31 December 2011   |                    | 31 December 2010   |                    |
|---|--------------------|--------------------|--------------------|--------------------|
|   | Carrying amount    | Fair value         | Carrying amount    | Fair value         |
| <i>Financial assets</i>                                 |                    |                    |                    |                    |
| Derivatives, included in other current assets . . . .   | —                  | —                  | 18                 | 18                 |
| Loans . . . . .   | 30                 | 30                 | 51                 | 51                 |
| Trade accounts receivable . . . . .                     | 25,753             | 25,753             | 20,086             | 20,086             |
| Cash and cash equivalents . . . . .                     | 112,634            | 112,634            | 67,003             | 67,003             |
| Total financial assets . . . . .                        | <u>138,417</u>     | <u>138,417</u>     | <u>87,158</u>      | <u>87,158</u>      |
| <i>Financial liabilities</i>                            |                    |                    |                    |                    |
| Loans from financial institutions . . . . .             | (2,133,337)        | (2,139,735)        | (2,381,764)        | (2,380,674)        |
| 8% Unsecured Notes . . . . .                            | (1,179,710)        | (1,220,939)        | (1,176,530)        | (1,246,122)        |
| Interest bearing loans from shareholders . . . . .      | (2,281,218)        | (2,281,218)        | (2,065,336)        | (2,065,336)        |
| Trade accounts payable . . . . .                        | (74,417)           | (74,417)           | (80,165)           | (80,165)           |
| Total financial liabilities at amortised cost . . . . . | <u>(5,668,682)</u> | <u>(5,716,309)</u> | <u>(5,703,795)</u> | <u>(5,772,297)</u> |
| Derivative financial instruments . . . . .              | (57,063)           | (57,063)           | (92,986)           | (92,986)           |
| Total financial liabilities . . . . .                   | <u>(5,725,745)</u> | <u>(5,773,372)</u> | <u>(5,796,781)</u> | <u>(5,865,283)</u> |

The carrying amounts of receivables, other current assets, cash and cash equivalents and accounts payable approximate their fair values because of the short-term nature of these instruments and, for receivables, because of the fact that any recoverability loss is reflected in an impairment loss. 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 31 December 2011, the Company has interest rate swap (IRS) agreements with a total notional amount of €1,000.0 million (2010: €2,670.5 million) under which it pays a fixed rate of interest (between 3.33% and 3.59%) and receives a variable rate equal to EURIBOR on the notional amount. These IRS agreements are used to reduce the exposure to changes in the variable EURIBOR rates on the outstanding loan portfolio of €1,383.3 million (2010: €1,631.7 million). The notional amounts of the IRS agreements will be reduced in line with the repayment schedule on the loan portfolio (currently the last IRS agreement will mature in 2014). In addition the Company has basis swap agreements for a total notional amount of €700.0 million (2010: €1,135.0 million) in order to match the EURIBOR in the Senior Credit Facility.

As at 31 December 2011 the Company did not have any swap agreements to reduce its exposure to fluctuations in its purchase obligations denominated in US dollars (2010: notional amount of USD 2.9 million).

### Hedge accounting

As a consequence of the refinancing of the Company in October 2010 (discussed in Note 17), the Company no longer applies hedge accounting for IRS, as the hedges concerned became ineffective. As of October 2010 any change in fair value of IRS is reported in financial income and expense. The cash flow hedge reserve recognised within other comprehensive income will be reclassified to financial income and expense in the same periods during which the hedge forecast cash flows affect the consolidated income statement.

### Fair value hierarchy

Of the Company's categories of financial instruments, only derivatives are measured at fair value using the Level 2 inputs as defined in IFRS 7 "Financial Instruments: Disclosures". These 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.

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 2011 and 2010.

## Derivatives

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

| Amounts in thousands of €        | 31 December 2011    |                 | 31 December 2010    |                 |
|----------------------------------|---------------------|-----------------|---------------------|-----------------|
|                                  | Number of contracts | Fair value      | Number of contracts | Fair value      |
| <i>Interest rate swaps</i>       |                     |                 |                     |                 |
| within one year . . . . .        | 3                   | (10,267)        | 9                   | (34,539)        |
| within two–five years . . . . .  | 3                   | (46,796)        | 3                   | (58,447)        |
| <i>Foreign currency forwards</i> |                     |                 |                     |                 |
| within one year . . . . .        | —                   | —               | 6                   | 18              |
|                                  | <u>6</u>            | <u>(57,063)</u> | <u>18</u>           | <u>(92,968)</u> |

## 26. Subsidiaries

The following companies are Zesko's significant subsidiaries as at 31 December 2011. Unless otherwise indicated, these are wholly owned subsidiaries. Subsidiaries that are not important 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 declarations of assumption of liability for its subsidiaries. These companies are marked with an \* in the following table.

- Ziggo Bond Company Holding B.V., Amsterdam, the Netherlands
- Ziggo Bond Company B.V., Amsterdam, the Netherlands
- Amsterdamse Beheer- en Consultingmaatschappij B.V., Amsterdam, the Netherlands
- Christina Beheer- en Adviesmaatschappij B.V., Amsterdam, the Netherlands \*
- Serpering Investments B.V., Amsterdam, the Netherlands \*
- Plinius Investments II B.V., Amsterdam, the Netherlands \*
- Torensplits II B.V., Amsterdam, the Netherlands \*
- Ziggo Holding B.V., Groningen, the Netherlands \*
- Ziggo B.V., Groningen, the Netherlands \*
- Ziggo Netwerk B.V., Groningen, 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%)
- HBO Nederland Coöperatief U.A, Amsterdam, the Netherlands (50.0%)

## 27. Subsequent events

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

**PARENT COMPANY FINANCIAL STATEMENTS**  
**INCOME STATEMENT**

| <u>Amounts in thousands of €</u>             | <u>Note</u> | <u>2011</u>      | <u>2010</u>      |
|--|-------------|------------------|------------------|
| Result from investments, after tax . . . . . | 3           | 178,303          | (51,259)         |
| Profit (loss) after income taxes . . . . .   |             | <u>(163,799)</u> | <u>(149,139)</u> |
| Net result . . . . .                         |             | <u>14,504</u>    | <u>(200,398)</u> |

**STATEMENT OF FINANCIAL POSITION**

| <u>Amounts in thousands of €</u>                      | <u>Note</u> | <u>31 December<br/>2011</u> | <u>31 December<br/>2010</u> |
|---|-------------|-----------------------------|-----------------------------|
| <b>ASSETS</b>   |             |                             |                             |
| Investments in subsidiaries . . . . .                 | 3           | 983,091                     | 797,477                     |
| Deferred tax asset . . . . .                          |             | <u>236,055</u>              | <u>183,974</u>              |
| Total non-current assets . . . . .                    |             | <u>1,219,146</u>            | <u>981,451</u>              |
| Other current assets . . . . .                        | 4           | 898                         | 896                         |
| Total current assets . . . . .                        |             | <u>898</u>                  | <u>896</u>                  |
| <b>TOTAL ASSETS . . . . .</b>                         |             | <b><u>1,220,044</u></b>     | <b><u>982,347</u></b>       |
| <b>EQUITY AND LIABILITIES</b>                         |             |                             |                             |
| Issued share capital . . . . .                        |             | 20                          | 20                          |
| Share premium . . . . .                               |             | 36,647                      | 36,647                      |
| Other reserves . . . . .                              |             | (7,789)                     | (15,100)                    |
| Retained earnings . . . . .                           |             | <u>(1,090,562)</u>          | <u>(1,105,066)</u>          |
| Equity attributable to equity holders . . . . .       | 5           | <u>(1,061,684)</u>          | <u>(1,083,499)</u>          |
| Interest-bearing loans from related parties . . . . . | 6           | <u>2,281,218</u>            | <u>2,065,336</u>            |
| Total non-current liabilities . . . . .               |             | <u>2,281,218</u>            | <u>2,065,336</u>            |
| Other non current liabilities . . . . .               | 7           | <u>510</u>                  | <u>510</u>                  |
| Total non-current liabilities . . . . .               |             | <u>510</u>                  | <u>510</u>                  |
| <b>TOTAL EQUITY AND LIABILITIES . . . . .</b>         |             | <b><u>1,220,044</u></b>     | <b><u>982,347</u></b>       |

## NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

### 1. Corporate information

The principal activities of Zesko B.V. ('the Company') are to participate in, to finance or to have any other interest in, or to conduct the management of, other companies and enterprises. The Company is the owner and operator of a broadband cable network in the Netherlands and offers analogue and digital radio and television, broadband internet and telephony services in the Netherlands to 3 million households under the brandname Ziggo.

The Company is a private limited company incorporated in Amsterdam (address: Winschotendiep 60, 9723 AB Groningen) in the Netherlands. The Company is wholly owned by Zesko Holding B.V. whose shareholders are investment funds that are ultimately managed by the private equity companies Cinven Limited and Warburg Pincus LLC.

### 2. Significant accounting policies

#### Basis of preparation

The parent company financial statements of Zesko B.V. have been prepared in accordance with Part 9, Book 2 of the Dutch Civil Code. In accordance with subsection 8 of section 362, Book 2 of the Dutch Civil Code, the measurement principles applied in these parent company financial statements are the same as those applied in the consolidated financial statements (see Note 3 to the consolidated financial statements). This means that the principles for recognition and measurement of assets and liabilities and determination of the result of the Company are the same as those applied for the consolidated financial statements.

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and adopted by the European Union. The accounting policies applied in the parent company financial statements are the same as those applied in the consolidated financial statements. Reference is made to Note 3 of the consolidated financial statements for a description of these principles.

As the financial data of Zesko 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 Dutch Civil Code).

#### Investments in subsidiaries

Investments in subsidiaries are accounted for using the net equity value. Zesko B.V. calculates the net equity value using the accounting policies as described in Note 3 to the consolidated financial statements. The net equity value of subsidiaries comprises the cost, excluding goodwill, of Zesko B.V.'s share in the net assets of the subsidiary, plus the share in income or losses since acquisition, less dividends received. In case the net equity 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. Investment in subsidiaries

Movements of the Company's investment in subsidiaries were as follows:

| Amounts in thousands of €              | 2011           | 2010           |
|--|----------------|----------------|
| Balance at 1 January . . . . .         | 797,477        | 836,678        |
| Cash flow hedge reserve . . . . .      | 7,311          | 12,049         |
| Establishment new investment . . . . . | —              | 9              |
| Result subsidiary . . . . .            | 178,303        | (51,259)       |
| Balance at 31 December . . . . .       | <u>983,091</u> | <u>797,477</u> |



#### 4. Other current assets

The Company has the following intercompany balances with group companies, included in other current assets:

| <u>Amounts in thousands of €</u>   | <u>2011</u> | <u>2010</u> |
|------------------------------------|-------------|-------------|
| Ziggo B.V. . . . . .               | 677         | 675         |
| Plinius Investments B.V. . . . . . | 221         | 221         |
| Balance at 31 December . . . . .   | <u>898</u>  | <u>896</u>  |

#### 5. Shareholders' equity

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

| <u>Amounts in thousands of €</u>                | <u>31 December 2011</u> | <u>31 December 2010</u> |
|---|-------------------------|-------------------------|
| Authorised capital                              |                         |                         |
| Ordinary shares 1,000 of €100 each . . . . .    | 100                     | 100                     |
| Issued and fully paid (181 shares) . . . . .    | 20                      | 20                      |
| Share premium . . . . .                         | 36,647                  | 36,647                  |
| Other reserves . . . . .                        | (7,789)                 | (15,100)                |
| Retained earnings . . . . .                     | <u>(1,090,562)</u>      | <u>(1,105,066)</u>      |
| Equity attributable to equity holders . . . . . | <u>(1,061,684)</u>      | <u>(1,083,499)</u>      |

Other reserves represents the cash flow hedge reserve, which is a statutory reserve.

#### 6. Interest-bearing loans from related parties

Interest-bearing loans from related parties consists of three loans from Even Investments 2 Sàrl:

- A loan for an amount of €217.5 million (2010: €190.5 million), subject to 14.125% interest;
- A loan for an amount of €2,063.6 million (2010: €1,874.7 million), subject to 10.08% interest;
- A loan for an amount of €0.1 million (2010: €0.1 million) which is not subject to interest.

All loans stated above are subordinated and repayable in full at the end of 2015. Any unpaid interest is added to the loan and is also repayable at the end of 2015. During the year 2011 interest expense on these loans amounts to €215.9 million (2010: €195.2 million).

#### 7. Other current liabilities

The Company has the following intercompany balances with group companies, included in other current liabilities:

| <u>Amounts in thousands of €</u>                            | <u>2011</u> | <u>2010</u> |
|---|-------------|-------------|
| Amsterdamse Beheer-en Consultingmaatschappij B.V. . . . . . | 510         | 510         |
| Balance at 31 December . . . . .                            | <u>510</u>  | <u>510</u>  |

#### 8. 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

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

## Remuneration

For the remuneration of the Board members, reference is made to Note 23 in the consolidated financial statements.

## 9. Subsequent events

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

## 10. Auditor's fees

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

| <u>Amounts in thousands of €</u>                  | <u>2011</u>  | <u>2010</u>  |
|---|--------------|--------------|
| Audit and audit related fees . . . . .            | 650          | 650          |
| Tax related fees . . . . .                        | 374          | 539          |
| Transactional related (compliance) fees . . . . . | 1,801        | 443          |
| Other non-audit fees . . . . .                    | 36           | —            |
| Total . . . . .                                   | <u>2,861</u> | <u>1,632</u> |

For comparison purposes auditor's fees 2010 have been adjusted.

### **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 2011, which is a profit of €14,504, has been added to retained earnings.

## INDEPENDENT AUDITOR'S REPORT

To: the Shareholders of Zesko B.V.

### **Report on the financial statements**

We have audited the accompanying financial statements 2011 of Zesko B.V., Amsterdam. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated income statement and the consolidated statement of comprehensive income for the year ended 31 December 2011, the consolidated statement of financial position as at 31 December 2011, consolidated statement of changes in equity and consolidated cash flow statement for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information. The company financial statements comprise the company income statement for the year ended 31 December 2011, the company statement of financial position as at 31 December 2011 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 Zesko B.V. as at 31 December 2011, 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 company financial statements*

In our opinion, the company financial statements give a true and fair view of the financial position of Zesko B.V. as at 31 December 2011 and of 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, 21 February 2012

Ernst & Young Accountants LLP

Signed by F.J. Blenderman

**Section B**  
**Zesko B.V.**  
**Audited Consolidated Financial Statements**  
**for the Year Ended December 31, 2010**



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## CONSOLIDATED INCOME STATEMENT

For the years ended 31 December

| <u>Amounts in thousands of €</u>                   | <u>Note</u> | <u>2010</u>      | <u>2009</u>      |
|--|-------------|------------------|------------------|
| Revenues . . . . .                                 | 4           | 1,375,742        | 1,284,395        |
| Cost of goods sold . . . . .                       |             | 265,036          | 263,276          |
| Personnel expenses . . . . .                       | 5           | 170,715          | 179,782          |
| Contracted work . . . . .                          |             | 44,833           | 68,352           |
| Materials & logistics . . . . .                    |             | 4,071            | 3,371            |
| Marketing & sales . . . . .                        |             | 62,106           | 55,332           |
| Office expense . . . . .                           |             | 52,183           | 55,366           |
| Other operating expenses . . . . .                 |             | 1,748            | 10,675           |
| Amortisation and impairments . . . . .             | 8           | 218,597          | 215,488          |
| Depreciation and impairments . . . . .             | 9           | 284,148          | 261,752          |
| Total operating expenses . . . . .                 |             | <u>1,103,437</u> | <u>1,113,394</u> |
| Operating income . . . . .                         |             | 272,305          | 171,001          |
| Net financial income (expense) . . . . .           | 6           | <u>(543,965)</u> | <u>(490,218)</u> |
| Result before income taxes . . . . .               |             | <u>(271,660)</u> | <u>(319,217)</u> |
| Income tax benefit (expense) . . . . .             | 7           | <u>71,262</u>    | <u>81,400</u>    |
| Net result . . . . .                               |             | <u>(200,398)</u> | <u>(237,817)</u> |
| Net result attributable to equity holder . . . . . |             | <u>(200,398)</u> | <u>(237,817)</u> |

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the years ended 31 December

| <u>Amounts in thousands of €</u>                                   | <u>2010</u>      | <u>2009</u>      |
|--|------------------|------------------|
| Net result for the year . . . . .                                  | (200,398)        | (237,817)        |
| Cash flow hedges, net of tax . . . . .                             | 12,049           | (27,149)         |
| Total comprehensive income for the year . . . . .                  | <u>(188,349)</u> | <u>(264,966)</u> |
| Total comprehensive income attributable to equity holder . . . . . | <u>(188,349)</u> | <u>(264,966)</u> |

## CONSOLIDATED BALANCE SHEET

| <u>Amounts in thousands of €</u>                      | <u>Note</u> | <u>31 December<br/>2010</u> | <u>31 December<br/>2009</u> |
|---|-------------|-----------------------------|-----------------------------|
| <b>ASSETS</b>   |             |                             |                             |
| Intangible assets . . . . .                           | 8           | 3,406,905                   | 3,599,060                   |
| Property and equipment . . . . .                      | 9           | 1,459,945                   | 1,549,664                   |
| Financial assets . . . . .                            | 10          | 396                         | 368                         |
| Deferred tax assets . . . . .                         | 7           | 308,076                     | 280,055                     |
| Total non-current assets . . . . .                    |             | <u>5,175,322</u>            | <u>5,429,147</u>            |
| Inventories . . . . .                                 | 11          | 18,546                      | 25,542                      |
| Trade accounts receivable . . . . .                   | 12          | 20,086                      | 43,592                      |
| Other current assets . . . . .                        | 13          | 32,331                      | 27,184                      |
| Cash and cash equivalents . . . . .                   | 14          | 67,003                      | 65,297                      |
| Total current assets . . . . .                        |             | <u>137,966</u>              | <u>161,615</u>              |
| <b>TOTAL ASSETS</b> . . . . .                         |             | <b><u>5,313,288</u></b>     | <b><u>5,590,762</u></b>     |
| <b>EQUITY AND LIABILITIES</b>                         |             |                             |                             |
| Issued share capital . . . . .                        |             | 20                          | 20                          |
| Share premium . . . . .                               |             | 36,647                      | 36,647                      |
| Other reserves . . . . .                              |             | (15,100)                    | (27,149)                    |
| Retained earnings . . . . .                           |             | (1,105,066)                 | (904,668)                   |
| Equity attributable to equity holder . . . . .        | 15          | <u>(1,083,499)</u>          | <u>(895,150)</u>            |
| Interest-bearing loans . . . . .                      | 16          | 3,497,261                   | 3,712,042                   |
| Interest-bearing loans from related parties . . . . . | 17          | 2,065,336                   | 1,869,979                   |
| Derivative financial instruments . . . . .            | 23          | 58,447                      | 99,599                      |
| Provisions . . . . .                                  | 18          | 30,169                      | 12,682                      |
| Deferred tax liabilities . . . . .                    | 7           | 408,410                     | 447,528                     |
| Total non-current liabilities . . . . .               |             | <u>6,059,623</u>            | <u>6,141,830</u>            |
| Deferred revenues . . . . .                           |             | 97,751                      | 106,247                     |
| Derivative financial instruments . . . . .            | 23          | 34,539                      | 2,662                       |
| Provisions . . . . .                                  | 17          | 7,138                       | 25,432                      |
| Trade accounts payable . . . . .                      |             | 80,165                      | 102,951                     |
| Other current liabilities . . . . .                   | 19          | 117,571                     | 106,790                     |
| Total current liabilities . . . . .                   |             | <u>337,164</u>              | <u>344,082</u>              |
| <b>TOTAL EQUITY AND LIABILITIES</b> . . . . .         |             | <b><u>5,313,288</u></b>     | <b><u>5,590,762</u></b>     |

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| <u>Amounts in thousands of €</u>       | <u>Issued<br/>capital</u> | <u>Share<br/>premium</u> | <u>Cash flow<br/>hedge reserve</u> | <u>Retained<br/>earnings</u> | <u>Total equity</u> |
|--|---------------------------|--------------------------|------------------------------------|------------------------------|---------------------|
| Balance at 31 December 2008 . . . .    | 20                        | 36,647                   | —                                  | (662,850)                    | (626,183)           |
| Adjustments . . . . .                  | —                         | —                        | —                                  | (4,001)                      | (4,001)             |
| Balance at 31 December 2008 . . . .    | <u>20</u>                 | <u>36,647</u>            | <u>—</u>                           | <u>(666,851)</u>             | <u>(630,184)</u>    |
| <i>Comprehensive income</i>            |                           |                          |                                    |                              |                     |
| Net loss for the year 2009 . . . . .   | —                         | —                        | —                                  | (237,817)                    | (237,817)           |
| <i>Other comprehensive income:</i>     |                           |                          |                                    |                              |                     |
| Cash flow hedges, net of tax . . . . . | —                         | —                        | (27,149)                           | —                            | (27,149)            |
| Total comprehensive income . . . . .   | —                         | —                        | (27,149)                           | (237,817)                    | (264,966)           |
| Balance at 31 December 2009 . . . .    | <u>20</u>                 | <u>36,647</u>            | <u>(27,149)</u>                    | <u>(904,668)</u>             | <u>(895,150)</u>    |
| <i>Comprehensive income</i>            |                           |                          |                                    |                              |                     |
| Net loss for the year 2010 . . . . .   | —                         | —                        | —                                  | (200,398)                    | (200,398)           |
| <i>Other comprehensive income:</i>     |                           |                          |                                    |                              |                     |
| Cash flow hedges, net of tax . . . . . | —                         | —                        | 12,049                             | —                            | 12,049              |
| Total comprehensive income . . . . .   | —                         | —                        | 12,049                             | (200,398)                    | (188,349)           |
| Balance at 31 December 2010 . . . .    | <u>20</u>                 | <u>36,647</u>            | <u>(15,100)</u>                    | <u>(1,105,066)</u>           | <u>(1,083,499)</u>  |

## CONSOLIDATED CASH FLOW STATEMENT

For the years ended 31 December

| Amounts in thousands of €  | Note | 2010             | 2009             |
|--|------|------------------|------------------|
| <b>Operating activities</b>  |      |                  |                  |
| Loss before income taxes . . . . .   |      | (271,660)        | (319,217)        |
| <i>Adjustments for:</i>  |      |                  |                  |
| Amortisation and impairments . . . . .                                     | 8    | 218,597          | 215,488          |
| Depreciation and impairments . . . . .                                     | 9    | 284,148          | 261,752          |
| Movement in provisions . . . . .   | 17   | (5,781)          | 5,026            |
| Net financial income and expense . . . . .                                 | 6    | 543,965          | 490,218          |
| Operating cash flow before changes in working capital . . . . .            |      | 769,269          | 653,267          |
| <i>Changes in working capital relating to:</i>                             |      |                  |                  |
| Inventories . . . . .  |      | 6,996            | (11,564)         |
| Trade accounts receivable . . . . .  |      | 23,506           | 5,127            |
| Other current assets . . . . .   |      | (5,129)          | 2,918            |
| Trade accounts payable . . . . .   |      | (22,786)         | 42,709           |
| Deferred revenues . . . . .  |      | (8,496)          | 8,840            |
| Other current liabilities . . . . .  |      | (7,798)          | (13,663)         |
| <b>Net cash flow from operating activities . . . . .</b>                   |      | <b>755,562</b>   | <b>687,634</b>   |
| <b>Investing activities</b>  |      |                  |                  |
| Purchase of intangible assets . . . . .                                    | 8    | (50,814)         | (76,507)         |
| Purchase of property and equipment . . . . .                               | 9    | (151,895)        | (178,602)        |
| Interest received . . . . .  |      | 214              | 1,002            |
| Change in financial assets . . . . .                                       |      | (28)             | 531              |
| <b>Net cash flow used in investing activities . . . . .</b>                |      | <b>(202,523)</b> | <b>(253,576)</b> |
| <b>Financing activities</b>  |      |                  |                  |
| Proceeds from loans . . . . .  | 16   | 1,950,147        | —                |
| Financing and commitment fees . . . . .                                    |      | (54,178)         | (3,577)          |
| Repayments of loans . . . . .  | 16   | (2,204,629)      | (160,000)        |
| Interest paid . . . . .  |      | (242,673)        | (247,404)        |
| Repayment of financial lease liabilities . . . . .                         |      | —                | (424)            |
| <b>Net cash flow from financing activities . . . . .</b>                   |      | <b>(551,333)</b> | <b>(411,405)</b> |
| <b>Net (decrease)/increase in cash and cash equivalents . . . . .</b>      |      | <b>1,706</b>     | <b>22,653</b>    |
| Net cash and cash equivalents at 1 January . . . . .                       |      | 65,297           | 42,644           |
| Net cash flow from operating, investing and financing activities . . . . . |      | 1,706            | 22,653           |
| <b>Net cash and cash equivalents at 31 December . . . . .</b>              | 14   | <b>67,003</b>    | <b>65,297</b>    |

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



## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. The Company and its operations

The principal activities of Zesko B.V. ('the Company') are to participate in, to finance or to have any other interest in, or to conduct the management of, other companies and enterprises. 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 3.1 million households under the brandname Ziggo.

### 2. Basis of preparation

#### Date of authorization of issue

The consolidated financial statements of Zesko B.V. for the year ended 31 December 2010 were prepared by the Board of Management and adopted on 15 April 2011. The Company is a private limited company incorporated in Amsterdam (address: Winschotendiep 60, 9723 AB Groningen) in the Netherlands. The Company is wholly owned by Zesko Holding B.V. whose shareholders are investment funds that are ultimately managed by the private equity companies Cinven Limited and Warburg Pincus LLC.

#### 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.

#### 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 ruling at the balance sheet 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 ruling 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 31 December 2010. The financial statements of the subsidiaries are prepared for the same reporting year as those of the parent company, using consistent accounting policies. All intra-group balances, transactions, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full. 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.

The consolidated financial statements of the Company include the subsidiaries mentioned in Note 25.

#### Comparative figures 2009

The following changes were made to the 2009 comparative figures:

- To improve insight into expenses, the Company reclassified items within operating expenses. These reclassifications did not impact net income. The reclassifications made are presented in Note 24.
- The Company acquired @Home in February 2007. Employees of @Home were entitled to a long-term employee benefit plan called PRES-arrangement. Upon acquisition this specific employee benefit was continued by the Company and made available—under the same conditions—to former Multikabel and Casema employees born before 1957 or born before 1959 with 25 years of service at

the Company, to prevent discrepancies. In accordance with IFRS (IAS 19 “Employee Benefits”) the Company recognises a liability in the balance sheet. As a result, the Company adjusted the balance sheet as at 1 January 2009, 31 December 2009 and net income for the year 2009. Reference is made to Note 24.

### **Use of estimates and judgments**

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, assumptions and judgments that management considers most critical relate to:

- Impairment of goodwill (Note 3)
- Deferred tax assets (Note 3 and Note 7)
- Fair value of financial instruments (Note 3, Note 22 and Note 23)
- Other long-term employee benefits (Note 3 and Note 18)
- Provisions and contingencies (Note 3 and Note 18)

### **Change in accounting policies**

#### *IFRS 2 “Share-based Payment”—Group Cash-settled Share-based Payment Transactions*

The standard has been amended to clarify the accounting for group cash-settled share-based payment transactions. This amendment also supersedes IFRIC 8 and IFRIC 11. The adoption of this amendment does not have an impact on the financial position or performance of the Company.

#### *IFRS 3 “Business Combinations” (revised standard 2008)*

This revised standard has been applied prospectively. As the Company did not make any acquisitions during 2010 the change in IFRS 3 does not have an impact on the Company’s consolidated financial statements.

#### *IAS 27 “Consolidated and Separate Financial Statements”*

The main changes are:

- Changes in a parent’s ownership interest in a subsidiary that do not result in a loss of control are accounted for within shareholders’ equity as transactions with owners acting in their capacity as owners.
- When a parent loses control any retained interest in the former subsidiary is recognised at its fair value at the date control is lost.

The change in accounting policy has been applied prospectively and does not have an impact on the Company’s consolidated financial statements.

#### *IAS 39 “Financial Instruments: Recognition and Measurement”—Eligible Hedged Items*

The change addresses the designation of a one-sided risk in a hedged item, and the designation of inflation as a hedged risk or portion in particular situations. The change in accounting policy has been applied prospectively and does not have an impact on the Company’s consolidated financial statements.

#### *IFRIC 17 “Distribution of Non-cash Assets to Owners”*

This interpretation provides guidance on accounting for arrangements whereby an entity distributes non-cash assets to shareholders either as a distribution of reserves or as dividends. The interpretation does not have an impact on the Company’s consolidated financial statements.

### *IFRIC 18 “Transfers of Assets from Customers”*

This interpretation provides guidance on accounting for arrangements in which an entity receives from a customer an item of property, plant and equipment that the entity must then use either to connect the customer to a network or to provide the customer with ongoing access to a supply of goods or services or to do both. The Company has arrangements with customers to which this interpretation applies, however the impact on the Company’s consolidated financial statements is limited.

The Company did not apply any other standard, interpretation or amendment issued but not yet effective in the consolidated financial statements as at 31 December 2010.

### **3. Significant accounting policies**

The significant accounting policies applied in the preparation of the consolidated financial statements are presented below. These policies have been consistently applied through all years 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. The operating segment’s operating result is reviewed regularly by the Board of Management (Chief Operating Decision Maker) to make decisions about resources to be allocated to the segment and assess its performance, and for which discrete financial information is available.

Segment results that are reported to the Board of Management include items directly attributable to a segment as well as those that can be allocated on a reasonable basis. Performance of the segments is evaluated against several measures, of which operating income excluding depreciation and amortisation (EBITDA) is the most important. Segment assets and liabilities mainly 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 assumptions:

- Chief Operating Decision Maker (Board of Management of the Company) makes decisions on the basis of financial results for the Company as *one* company;
- 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 and goodwill**

Business combinations are accounted for using the acquisition accounting method. 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 incurred are expensed and included in other operating expenses.

If the business combination is achieved in stages, the acquisition date fair value of the acquirer’s previously held equity interest in the acquiree is re-measured to fair value at the acquisition date through profit or loss.

Acquisitions of non-controlling interests are accounted for as transactions with owners in their capacity as owners and therefore no goodwill is recognised as a result of such transactions. The adjustments to non-controlling interests are based on a proportionate amount of the net assets of the subsidiary.

Any contingent consideration to be transferred by the acquirer will be 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 recognised in the income statement. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates until it is finally settled within equity.

Business combinations arising from transfers of interests in entities that are under the control of the shareholder that controls the Company are accounted for as if the acquisition had occurred at the beginning of the earliest comparative year presented or, if later, at the date that common control was established; for this purpose comparatives are adjusted. The assets and liabilities acquired are recognised at the carrying amounts recognised previously in the Company’s controlling shareholder’s consolidated financial statements. The components of equity of the acquired entities are added to the same components within equity and any gain/loss arising is recognised directly in equity.

Goodwill is initially measured at cost, being the excess of the aggregate of the consideration transferred and the amount recognised for a non-controlling interest over the net identifiable assets acquired and liabilities assumed. If this consideration is lower than the fair value of the net assets of the subsidiary acquired, the difference is recognised in the consolidated income statement. After initial recognition, goodwill is measured at cost less any accumulated impairment losses.

For the purposes of impairment testing, goodwill is allocated to each of the Company’s cash-generating units (or groups of cash-generating units) that is expected to benefit from the synergies of the combination.

A cash-generating unit to which goodwill has been allocated is tested for impairment annually, or more frequently when there is an indication that the unit may be impaired. If the recoverable amount of the cash-generating unit is less than its carrying amount, the impairment loss is allocated first to reduce the carrying amount of any goodwill allocated to the unit and then to the other assets of the unit pro rata based on the carrying amount of each asset in the unit. Any impairment loss for goodwill is recognised directly in profit or loss in the consolidated income statement. An impairment loss recognised for goodwill is not reversed in subsequent periods.

On disposal of the relevant cash-generating unit, the attributable amount of goodwill is included in the determination of the profit or loss on disposal.

### **Intangible assets**

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

The useful lives of intangible assets are assessed as either finite or indefinite.

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the economic benefits related to the intangible asset may be decreased. The amortisation period and the amortisation method for an intangible asset with a finite useful life are reviewed at least at each financial year-end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset are accounted for by changing 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.

The customer lists are initially valued at fair value and subsequently amortised in 12-14 years as far as they relate to residential customers and amortised in 13 years as far as they relate to business customers, using the straight-line method over their economic useful lives. Software is amortised in 3 years using the straight-line method over its economically useful life.

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

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the assets and are recognised in the income statement when the asset is derecognised.

## Property and Equipment

Property and equipment is stated at cost less accumulated depreciation and accumulated impairment, if any. The costs includes direct costs (materials, replacing parts, direct labour and contracted work) and direct attributable overhead costs. 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 necessarily takes a substantial period of time to get ready for its intended use 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 expense of the Company.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset, taking into account residual value. Borrowing costs are depreciated over the estimated useful life of the corresponding asset. Land is not depreciated. The useful life of the assets is as follows:

|  | <u>Useful lives</u> |
|--|---------------------|
| 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 asset's residual values, useful lives and methods of depreciation are reviewed and adjusted if appropriate at each financial year-end. Any change in accounting caused by this review is applied prospectively.

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

An item of property and equipment is derecognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from derecognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is derecognised.

Repairs and maintenance are charged to expense during the financial period in which they incur.

## 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 to the Company substantially all the risks and benefits incidental to ownership of the leased item, 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 charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and 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 as an expense in the income statement on a straight-line basis over the lease term.

## Impairment of non-financial assets

The Company assesses at each reporting date whether there is an indication that an 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 to sell 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 to sell, an appropriate valuation model is used.

Impairment losses of continuing operations recognised in the income statement will be recorded in a separate line item in those 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, had no impairment loss been recognised for the asset in prior years. Such a reversal is recognised in the income statement. Impairment losses recognised in relation to goodwill are not reversed for subsequent increases in its recoverable amount.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying amount 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 units 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 (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. The Company performs its impairment test of goodwill annually.

The key assumptions used in the impairment test are set out below:

*Cash flow*—Free cash flow consists of revenues, costs and capital expenditure levels. Revenues are estimated based on historic growth numbers and expected future market penetration levels, resulting in related costs and capital expenditures.

*Discount rate*—The discount rate is calculated taking into account the relative weights of each component of the capital structure and is used by management as a benchmark to assess operating performance and future investments.

*Growth rate*—The growth rates in the three-year financial budgets reflect historic growth numbers and current market developments. The years beyond the three-year financial budget are extrapolated using estimated growth rates that do not exceed the long-term average growth rate and are consistent with forecasts included in industry reports.

With regard to the goodwill impairment test, management believes that a change in any of the key assumptions would not cause a material impact on the value in use calculation nor a subsequent adjustment of goodwill.

### **Investments in associates**

The Company uses the equity method of accounting for investment in associates. An associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture.

After application of the equity method, the Company determines whether it is necessary to recognise an additional impairment loss of the Company's investment in its associates. The Company determines at each balance sheet date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Company calculates the amount of impairment as being the difference between the fair value of the associate and the net equity value and recognises the amount in the income statement.



## **Inventories**

Inventories are valued at cost or net realisable value, whichever is the lower. 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 used. Sold inventory is included in the cost of goods sold.

## **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 the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement 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 premise equipment upon termination of the subscription or renewals.

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 finance cost.

The net assets and net liabilities recognised in the consolidated balance sheet for defined benefit plans and other long term employee benefits represent the present value of the defined benefit obligations, less the fair value of plan assets, adjusted for unrecognised actuarial gains or losses and unamortised past service costs. Any net asset resulting from this calculation is limited to unrecognised actuarial losses and 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 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 balance sheet 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. Actuarial gains and losses are recognised using the corridor approach, which assumes that actuarial gains and losses may offset each other over the long term. Under this approach, if, for a specific plan, the net unrecognised actuarial gains and losses at the balance sheet date exceed the greater of 10% of the fair value of the plan assets or 10% of the defined benefit obligation, the excess is taken into account in determining net periodic expense for the subsequent period. The amount then recognised in the subsequent period is the excess divided by the expected remaining average working lives of employees covered by that plan at the balance sheet date. Past service costs are recognised immediately to the extent that the associated benefits are already vested, and are otherwise amortised on a straight-line basis over the average period until the associated benefits become vested. Results from curtailments or settlements, including the related portion of net unrecognised actuarial gains and losses, are recognised immediately.

Contributions to defined contribution plans are recognised as an 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 income statement immediately.

## **Financial instruments**

### *Financial assets*

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

The Company derecognises a financial asset when the contractual rights to the cash flows from the 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. Any interest in transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

The Company classifies non-derivative financial assets into the following categories: financial assets at fair value through profit or loss, held-to-maturity financial assets, loans and receivables and available-for-sale financial assets.

### *Financial assets at fair value through profit or loss*

A financial asset is classified at fair value through profit or loss if it is classified as held for trading or is designated as such upon initial recognition. Financial assets are designated at fair value through profit or loss if the Company manages such investments and makes purchase and sale decisions based on their fair value in accordance with the Company's documented risk management or investment strategy. Attributable transaction costs are recognised in profit or loss as incurred. Financial assets at fair value through profit or loss are measured at fair value, and changes therein are recognised in profit or loss.

### *Held-to-maturity financial assets*

If the Company has the positive intent and ability to hold securities to maturity (usually debt securities), then such financial assets are classified as held to maturity. Held-to-maturity financial assets are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition held-to-maturity financial assets are measured at amortised cost using the effective interest method, less any impairment losses.

### *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. 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 be able to 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. Impaired loans and receivables are derecognised when they are assessed as uncollectible.

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

### *Available-for-sale financial assets*

Available-for-sale financial assets are non-derivative financial assets that are designated as available for sale or are not classified in any of the above categories of financial assets. Subsequent to initial recognition, they are measured at fair value and changes therein are recognised in other comprehensive income and presented in the fair value reserve in equity. When an investment is derecognised, the gain or loss accumulated in equity is reclassified to profit or loss.

### *Financial liabilities*

The Company initially recognises debt securities issued and subordinated liabilities on the date that they originated. All other financial liabilities (including liabilities designated at fair value through profit or loss) are recognised initially on the 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 or 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, and the difference in the respective carrying amounts is recognised in the income statement.

The Company classifies non-derivative financial liabilities into the other financial liabilities category. 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.

Other financial liabilities comprise loans and borrowings, bank overdrafts, and trade accounts and other payables.

### *Offsetting of financial assets and liabilities*

Financial assets and liabilities are offset and reported at the net amount in the consolidated balance sheet if, and only if, the Company has a legally enforceable right to set off the recognised amounts, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### *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 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 balance sheet date, taking into account the current interest rates and creditworthiness of the swap counter parties.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 24. Movements on the hedging reserve in shareholders' equity are shown in the consolidated statement of changes in equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining maturity of the hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

#### (a) Fair value hedge

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item is amortised to profit or loss over the period to maturity.

#### (b) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'other net financial income and expense'.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within 'interest expense'. The gain or loss relating to the ineffective portion is recognised in the income statement within 'other net financial income and expense'.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is amortised to profit or loss in the period(s) when the forecast transaction occurs. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within '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. The relevant types of revenue are recognised as follows:

#### *Rendered services*

Revenue primarily comprises revenues earned from subscription and usage fees on the delivery of standard cable and digital pay television, broadband internet and telephony and services provided to the business market. Revenue from other sources primarily comprises revenue from the sale of goods. 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. 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 on delivery of the goods.

The Company may provide the subscriber with installation of the connection to its network and offers connection-related services. Revenue is recognised when the installation and services have been rendered.

#### *Cost of goods sold*

Cost of goods sold includes the costs for purchases of materials and services directly related to revenue, such as author rights, interconnection costs, 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 income statement except to the extent that it relates to items recognised directly in equity. The current income tax benefit is based on the best estimate of taxable income for the year, using tax rates that have been enacted or substantively enacted at the balance sheet date, and adjustments for current taxes payable (receivable) for prior years.

Deferred income tax 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 balance sheet 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 balance sheet 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 balance sheet 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.

#### Cash flow statement

The cash flow statement is prepared using the indirect method with a breakdown into cash flows from operating, investing and financing activities. The cash balances of purchased subsidiaries (cash acquired) are included in the consideration paid on acquisition (investing activities).

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 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 31 December 2010 and have not been applied in preparing these consolidated financial statements:

- IFRS 9 "Financial Instruments"
- IAS 24 "Related Party Disclosures" (amendment)
- IAS 32 "Financial Instruments: Presentation"—Classification of Rights Issues (amendment)
- IFRIC 14 "IAS 19—The Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction"—Prepayments of a minimum funding requirement (amendment)
- IFRIC 19 "Extinguishing Financial Liabilities with Equity Instruments"
- Improvements to IFRSs (issued May 2010)

The Company will introduce the new standards, amendments to standards and interpretations on or after 1 January 2011. Adoption of these standards and interpretations is expected not to have an impact on the consolidated financial statements of the Company.

#### 4. Revenues

The Company's revenues comprise the following:

| <u>Amounts in thousands of €</u>          | <u>2010</u> | <u>2009</u> |
|---|-------------|-------------|
| Standard cable subscription . . . . .     | 489,454     | 499,192     |
| Digital Pay television services . . . . . | 124,637     | 92,964      |
| Video . . . . .                           | 614,091     | 592,156     |
| Broadband Internet subscription . . . . . | 380,832     | 351,247     |
| Telephony subscription . . . . .          | 96,018      | 74,679      |
| Telephony usage . . . . .                 | 155,648     | 135,449     |
| Telephony . . . . .                       | 251,666     | 210,128     |
| Revenues from other sources . . . . .     | 51,745      | 47,462      |
| Total Residential Market . . . . .        | 1,298,334   | 1,200,993   |
| Business Services . . . . .               | 77,408      | 83,402      |
| Total revenues . . . . .                  | 1,375,742   | 1,284,395   |

Revenues generated from bundle subscriptions amount to €402.2 million (2009: €228.2 million) and have been allocated to the individual products Video, Broadband Internet and Telephony.

The Company's revenues are generated through a large customer base, none of which generates more than 10% of total revenues. Revenues from the sale of goods as at 31 December 2010 amount to €28.5 million (2009: €16.6 million).

## 5. Personnel expenses

The Company's personnel expenses comprise the following:

| <u>Amounts in thousands of €</u>                         | <u>2010</u>    | <u>2009</u>    |
|--|----------------|----------------|
| Wages and salaries . . . . .                             | 115,811        | 107,853        |
| Social security costs . . . . .                          | 13,925         | 13,420         |
| Pensions and other long-term employee benefits . . . . . | 14,965         | 13,736         |
| Other . . . . .  | 26,014         | 44,773         |
| Total personnel expenses . . . . .                       | <u>170,715</u> | <u>179,782</u> |

The number of internal employees as at 31 December 2010 of the Company in full time equivalents (FTEs) was 2,203 (2009: 2,257). The average number of internal employees in 2010 was 2,219 FTEs (2009: 2,112).

Other personnel expenses comprise costs for temporary external personnel, other personnel expenses and capitalised personnel expenses. In 2010, costs for temporary external personnel amount to €53.9 million (2009: €71.6 million). Other personnel expenses in 2010 amount to €20.4 million (2009: €25.6 million) and capitalised personnel expenses amount to € -/- 48.3 million (2009: € -/- 52.4 million).

## 6. Net financial income and expense

| <u>Amounts in thousands of €</u>  | <u>2010</u>      | <u>2009</u>      |
|---|------------------|------------------|
| Interest on loans from financial institutions . . . . .                           | (218,618)        | (302,403)        |
| Interest on loans from related parties . . . . .                                  | (195,247)        | (176,609)        |
| Interest on 8.0% Senior Notes . . . . .   | (62,591)         | —                |
| Other interest expense . . . . .  | (2,014)          | (2,778)          |
| Capitalisation of borrowing cost . . . . .  | 13,191           | 3,380            |
| Interest expense . . . . .  | <u>(465,279)</u> | <u>(478,410)</u> |
| Interest income . . . . .   | 214              | 1,002            |
| Amortisation of financing costs, including write-offs terminated facilities . . . | (53,737)         | (17,348)         |
| Fees related to senior credit facility . . . . .                                  | (15,004)         | —                |
| Fair value gains (losses) on derivative financial instruments . . . . .           | (6,899)          | 8,115            |
| Commitment fees . . . . .   | (2,843)          | (3,577)          |
| Foreign exchange results . . . . .  | (417)            | —                |
| Other net financial income and expense . . . . .                                  | <u>(78,900)</u>  | <u>(12,810)</u>  |
| Net financial income (expense) . . . . .  | <u>(543,965)</u> | <u>(490,218)</u> |

Other interest expense relates mainly to the interest added to provisions and pensions and other long-term employee benefits. Other interest income is mainly attributable to the interest on cash and cash equivalents.

## 7. Income taxes

The Company and its subsidiaries are incorporated in the fiscal unity of Zesko B.V. for corporate income tax purposes. For financial reporting purposes, its consolidated subsidiaries calculate their respective tax assets, tax liabilities and tax benefits on a consolidated tax return basis.

The Company's income tax comprises:

| <u>Amounts in thousands of €</u>       | <u>2010</u>   | <u>2009</u>   |
|--|---------------|---------------|
| Deferred tax assets . . . . .          | 32,144        | 45,197        |
| Deferred tax liabilities . . . . .     | 39,118        | 36,203        |
| Income tax benefit (expense) . . . . . | <u>71,262</u> | <u>81,400</u> |



A reconciliation between the statutory tax rates of 25.5% and the Company's effective tax rate is as follows:

| <u>Amounts in thousands of €</u>  | <u>Tax rate</u> | <u>2010</u>   | <u>Tax rate</u> | <u>2009</u>   |
|---|-----------------|---------------|-----------------|---------------|
| Loss for the period . . . . .   |                 | (271,660)     |                 | (319,217)     |
| Notional income tax at statutory rates . . . . .                                | 25.50%          | 69,273        | 25.50%          | 81,400        |
| <i>Adjustments:</i>   |                 |               |                 |               |
| Non-deductible items . . . . .  | -0.01%          | (17)          |                 | —             |
| Deferred income (expense) due to changes in tax rates, effective 2011 . . . . . | 0.74%           | 2,006         |                 | —             |
| Effective tax rate/income tax benefit . . . . .                                 | <u>26.23%</u>   | <u>71,262</u> | <u>25.50%</u>   | <u>81,400</u> |

Income tax recognised within other comprehensive income comprises:

| <u>Amounts in thousands of €</u> | <u>2010</u>       |                               |                   | <u>2009</u>       |                               |                   |
|----------------------------------|-------------------|-------------------------------|-------------------|-------------------|-------------------------------|-------------------|
|                                  | <u>Before tax</u> | <u>Tax (expense)/ benefit</u> | <u>Net of tax</u> | <u>Before tax</u> | <u>Tax (expense)/ benefit</u> | <u>Net of tax</u> |
| Cash flow hedges . . . . .       | (20,133)          | 5,033                         | (15,100)          | (36,441)          | 9,292                         | (27,149)          |

The tax effects of temporary differences influencing significant portions of the deferred tax assets and deferred tax liabilities as of 31 December 2010 and 2009 are presented below:

| <u>Amounts in thousands of €</u>              | <u>1 January 2009</u> | <u>Recognised in profit or loss</u> | <u>Recognised in other comprehensive income</u> | <u>31 December 2009</u> | <u>Recognised in profit or loss</u> | <u>Recognised in other comprehensive income</u> | <u>31 December 2010</u> |
|---|-----------------------|-------------------------------------|---|-------------------------|-------------------------------------|---|-------------------------|
| Tax loss carry-forwards . . . . .             | 206,713               | 47,266                              | —   | 253,979                 | 30,852                              | —   | 284,831                 |
| Derivative financial instruments . . . . .    | 18,853                | (2,069)                             | 9,292   | 26,076                  | 1,292                               | (4,123)   | 23,245                  |
| Deferred tax assets . . . . .                 | 225,566               | 45,197                              | 9,292   | 280,055                 | 32,144                              | (4,123)   | 308,076                 |
| Intangible assets . . . . .                   | (488,125)             | 45,006                              | —   | (443,119)               | 52,217                              | —   | (390,902)               |
| Property and equipment . . . . .              | 4,394                 | (8,803)                             | —   | (4,409)                 | (13,099)                            | —   | (17,508)                |
| Deferred tax liabilities . . . . .            | (483,731)             | 36,203                              | —   | (447,528)               | 39,118                              | —   | (408,410)               |
| Deferred tax assets and liabilities . . . . . | (258,165)             | 81,400                              | 9,292   | (167,473)               | 71,262                              | (4,123)   | (100,334)               |

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

Recognised deferred tax assets reflect management's estimate of realisable amounts. The amounts of tax loss carry forwards are subject to assessment by local tax authorities.

The expiration of the available tax loss carry forwards and recognised tax assets is as follows:

| <u>Amounts in thousands of €</u>                                 | <u>2010</u>               |                           | <u>2009</u>               |                           |
|--|---------------------------|---------------------------|---------------------------|---------------------------|
|  | <u>Net Operating loss</u> | <u>Deferred tax asset</u> | <u>Net Operating loss</u> | <u>Deferred tax asset</u> |
| Net loss for which no deferred tax asset is recognised . . . . . | 406,676                   | —                         | 406,676                   | —                         |
| Net loss for which a deferred tax asset is recognised . . . . .  | 1,139,329                 | 284,831                   | 995,996                   | 253,979                   |
| Total net operating loss . . . . .                               | <u>1,546,005</u>          | <u>284,831</u>            | <u>1,402,672</u>          | <u>253,979</u>            |

| <u>Amounts in thousands of €</u>   | <u>2010</u>      |
|------------------------------------|------------------|
| 31 December 2011 . . . . .         | 497,966          |
| 31 December 2012 . . . . .         | 168,561          |
| 31 December 2013 . . . . .         | 61,599           |
| 31 December 2014 . . . . .         | 15,975           |
| 31 December 2015 . . . . .         | 64,844           |
| 31 December 2016 . . . . .         | 221,807          |
| 31 December 2017 . . . . .         | 172,585          |
| 31 December 2018 . . . . .         | 199,343          |
| 31 December 2019 . . . . .         | 143,325          |
| Total net operating loss . . . . . | <u>1,546,005</u> |

## 8. Intangible assets

The Company's intangible assets comprise:

| <u>Amounts in thousands of €</u>         | <u>Goodwill</u>  | <u>Customer lists</u> | <u>Trade names</u> | <u>Software</u> | <u>Total</u>     |
|--|------------------|-----------------------|--------------------|-----------------|------------------|
| Cost . . . . .                           | 1,773,068        | 2,318,353             | 34,800             | 86,461          | 4,212,682        |
| Accumulated amortisation . . . . .       | —                | (382,318)             | (34,800)           | (71,128)        | (488,246)        |
| Balance as of 1 January 2009 . . . . .   | 1,773,068        | 1,936,035             | —                  | 15,333          | 3,724,436        |
| Additions . . . . .                      | —                | 1,445                 | —                  | 75,062          | 76,507           |
| Reclassifications . . . . .              | —                | 5,885                 | —                  | 7,720           | 13,605           |
| Amortisation . . . . .                   | —                | (180,912)             | —                  | (34,576)        | (215,488)        |
| Total changes 2009 . . . . .             | —                | (173,582)             | —                  | 48,206          | (125,376)        |
| Cost . . . . .                           | 1,773,068        | 2,400,962             | 34,800             | 227,752         | 4,436,582        |
| Accumulated amortisation . . . . .       | —                | (638,509)             | (34,800)           | (164,213)       | (837,522)        |
| Balance as of 31 December 2009 . . . . . | 1,773,068        | 1,762,453             | —                  | 63,539          | 3,599,060        |
| Additions . . . . .                      | —                | 4                     | —                  | 50,810          | 50,814           |
| Reclassifications . . . . .              | —                | 602                   | —                  | (24,971)        | (24,369)         |
| Disposals . . . . .                      | —                | (4)                   | —                  | 1               | (3)              |
| Amortisation and impairments . . . . .   | —                | (180,176)             | —                  | (38,421)        | (218,597)        |
| Total changes 2010 . . . . .             | —                | (179,574)             | —                  | (12,581)        | (192,155)        |
| Cost . . . . .                           | 1,773,068        | 2,401,568             | —                  | 238,510         | 4,413,146        |
| Accumulated amortisation . . . . .       | —                | (818,689)             | —                  | (187,552)       | (1,006,241)      |
| Balance as of 31 December 2010 . . . . . | <u>1,773,068</u> | <u>1,582,879</u>      | <u>—</u>           | <u>50,958</u>   | <u>3,406,905</u> |

### *Goodwill*

In 2008 the former operating companies Multikabel, Casema and @Home merged into Ziggo. As a result of the merger one cash generating unit, Ziggo, remains. All goodwill acquired through business combinations has been allocated for impairment testing purposes to the cash-generating unit at which management monitors the operating results. For the goodwill impairment test the Company uses the 'Value in use'- method. 'Value in use'- calculations are based on cash flow projections covering a maximum period of five years.

Cashflow projections for Ziggo are based on three-year financial budgets approved by the Company's management and extrapolated cashflows beyond the three-year period using estimated growth rates that do not exceed the long-term average growth rate and are consistent with forecasts included in industry reports.

The calculation exceeded the amount carried forward of the cash generating unit Ziggo and consequently no impairment was recognised. The discount rate used for the 2010 goodwill impairment test is 6.62% (2009: 7.00%).

## Software

During 2010 the Company impaired capitalised development of software for an amount of €9.8 million (2009: nil) as the expected future benefits of the related projects decreased over time.

## 9. Property and equipment

The Company's property and equipment comprises:

| Amounts in thousands of €                | Network          | Land         | Other         | Assets under construction | Total            |
|--|------------------|--------------|---------------|---------------------------|------------------|
| Cost . . . . .                           | 1,896,228        | 2,648        | 66,065        | 243,155                   | 2,208,096        |
| Accumulated depreciation . . . . .       | (534,513)        | —            | (27,164)      | —                         | (561,677)        |
| Balance as of 1 January 2009 . . . . .   | 1,361,715        | 2,648        | 38,901        | 243,155                   | 1,646,419        |
| Additions . . . . .                      | 172,298          | —            | 18,279        | (11,975)                  | 178,602          |
| Reclassifications . . . . .              | (7,431)          | —            | (6,174)       | —                         | (13,605)         |
| Depreciation . . . . .                   | (251,160)        | —            | (10,592)      | —                         | (261,752)        |
| Total changes 2009 . . . . .             | (86,293)         | —            | 1,513         | (11,975)                  | (96,755)         |
| Cost . . . . .                           | 4,129,427        | 2,648        | 92,493        | 231,180                   | 4,455,748        |
| Accumulated depreciation . . . . .       | (2,854,005)      | —            | (52,079)      | —                         | (2,906,084)      |
| Balance as of 31 December 2009 . . . . . | 1,275,422        | 2,648        | 40,414        | 231,180                   | 1,549,664        |
| Additions . . . . .                      | 200,692          | —            | 61,812        | (92,444)                  | 170,060          |
| Reclassification . . . . .               | 718              | —            | 23,651        | —                         | 24,369           |
| Depreciation and impairments . . . . .   | (245,523)        | —            | (38,625)      | —                         | (284,148)        |
| Total changes 2010 . . . . .             | (44,113)         | —            | 46,838        | (92,444)                  | (89,719)         |
| Cost . . . . .                           | 4,329,758        | 2,648        | 183,007       | 138,736                   | 4,654,149        |
| Accumulated depreciation . . . . .       | (3,098,449)      | —            | (95,755)      | —                         | (3,194,204)      |
| Balance as of 31 December 2010 . . . . . | <u>1,231,309</u> | <u>2,648</u> | <u>87,252</u> | <u>138,736</u>            | <u>1,459,945</u> |

## Network

The additions to network include capitalised borrowing costs of €13.2 million (2009: €3.4 million). Generally, the capitalisation rate used to determine the amount of capitalised borrowing costs is a weighted average of the interest rate applicable. For 2010 an interest rate applied of 7.04% (2009: 5.89%).

During 2010 the Company impaired property and equipment for an amount of €1.1 million (2009: nil) as the expected future benefits of the related projects decreased over time.

Mortgages on all registered properties, related movable assets and the network related elements have been established under the Senior Credit Facilities and unsecured Senior Notes as explained in Note 16.

## Assets under construction

Assets under construction relates to the integration of the Company's business support system and operational support system and the integration and expansion of the Company's network and IT-infrastructure. Included in assets under construction is software, which is recognised as intangible asset once in use.

At 31 December 2010 there were no contractual commitments for the acquisition of any property and equipment.

## 10. Financial assets

Financial assets consist of long-term prepaid expenses (related to information technology contracts) of €345 (2009: €281) and loans to personnel of €51 (2009: €87).

## 11. Inventories

| <u>Amounts in thousands of €</u>       | <u>31 December<br/>2010</u> | <u>31 December<br/>2009</u> |
|--|-----------------------------|-----------------------------|
| Equipment and cables . . . . .         | 8,575                       | 8,027                       |
| Set top boxes . . . . .                | 7,858                       | 11,089                      |
| Customer premises equipment . . . . .  | 2,570                       | 6,684                       |
| Allowance for obsolete stock . . . . . | (457)                       | (258)                       |
| Total Inventories . . . . .            | <u>18,546</u>               | <u>25,542</u>               |

Movement in allowance for obsolete stock is as follows:

| <u>Amounts in thousands of €</u> | <u>2010</u> | <u>2009</u> |
|----------------------------------|-------------|-------------|
| At 1 January . . . . .           | 258         | —           |
| Additions . . . . .              | 228         | 258         |
| Used . . . . .                   | (29)        | —           |
| Released . . . . .               | —           | —           |
| At 31 December . . . . .         | <u>457</u>  | <u>258</u>  |

## 12. Trade accounts receivable

Trade accounts receivable as at 31 December 2010 amount to €20.1 million (2009: €43.6 million). The allowance for doubtful accounts is calculated on an individual basis and on a portfolio basis for groups of receivables that are not individually identified. The doubtful debt allowance reflects probable losses in the account receivable balance based on historical experience by kind of trade debtor and other currently available evidence.

Movements in the allowance for doubtful accounts are as follows:

| <u>Amounts in thousands of €</u> | <u>2010</u>  | <u>2009</u>   |
|----------------------------------|--------------|---------------|
| At 1 January . . . . .           | 14,304       | 5,600         |
| Additions . . . . .              | 6,136        | 11,643        |
| Used . . . . .                   | (9,400)      | (2,939)       |
| Released . . . . .               | (2,334)      | —             |
| At 31 December . . . . .         | <u>8,706</u> | <u>14,304</u> |

A pledge has been given on all receivables as mentioned in Note 16.

Trade accounts receivables are non interest-bearing and are generally due on 30 days' terms. Note 22 discloses the Company's credit risk related to the trade accounts receivable.

## 13. Other current assets

| <u>Amounts in thousands of €</u>  | <u>31 December<br/>2010</u> | <u>31 December<br/>2009</u> |
|-----------------------------------|-----------------------------|-----------------------------|
| Prepaid expenses . . . . .        | 17,682                      | 13,470                      |
| Revenues to be invoiced . . . . . | 14,606                      | 13,656                      |
| Other current assets . . . . .    | 43                          | 58                          |
| Total current assets . . . . .    | <u>32,331</u>               | <u>27,184</u>               |

## 14. 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 daily bank deposit rates.

A pledge has been given on the accounts of the Company as mentioned in Note 16.

## 15. 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 1,000 shares of €100 each.

Other reserves represents the cash flow hedge reserve.

## 16. Interest-bearing loans

| <u>Amounts in thousands of €</u>            | <u>31 December<br/>2010</u> | <u>31 December<br/>2009</u> |
|---|-----------------------------|-----------------------------|
| Loans from financial institutions . . . . . | 2,320,731                   | 3,712,042                   |
| 8.0% Senior Notes, due 2018 . . . . .       | 1,176,530                   | —                           |
| Interest bearing loans . . . . .            | <u>3,497,261</u>            | <u>3,712,042</u>            |

Movement in total interest bearing loans is as follows:

| <u>Amounts in thousands of €</u>                  | <u>2010</u>      | <u>2009</u>      |
|---|------------------|------------------|
| Balance at 1 January . . . . .                    | 3,712,042        | 3,800,859        |
| Repayments on loans . . . . .                     | (2,204,629)      | (160,000)        |
| Issuance of Senior Notes and Facility E . . . . . | 1,950,037        | —                |
| Financing fees . . . . .                          | (36,404)         | —                |
| Interest accretion Mezzanine loan . . . . .       | 22,478           | 53,835           |
| Amortisation of financing fees . . . . .          | 53,737           | 17,348           |
| Balance at 31 December . . . . .                  | <u>3,497,261</u> | <u>3,712,042</u> |

### Loans from financial institutions

Loans from financial institutions can be broken down into the following facilities:

| <u>Amounts in thousands of €</u>              | <u>Interest rate</u> | <u>Maturity</u> | <u>31 December<br/>2010</u> | <u>31 December<br/>2009</u> |
|---|----------------------|-----------------|-----------------------------|-----------------------------|
| <b>Senior credit facilities</b>               |                      |                 |                             |                             |
| Facility A loan . . . . .                     | EURIBOR +2.00%       | 2013            | 35,238                      | 205,250                     |
| Facility B loan . . . . .                     | EURIBOR +2.75%       | 2014            | 1,091,911                   | 1,100,000                   |
| Facility C loan . . . . .                     | EURIBOR +3.50%       | 2015            | 254,615                     | 1,100,000                   |
| Facility D loan . . . . .                     | EURIBOR +4.75%       | 2016            | 250,000                     | 250,000                     |
| Facility E loan (Sr. Secured Notes) . . . . . | 6.125%               | 2017            | 750,000                     | —                           |
| <b>Total</b> . . . . .                        |                      |                 | <u>2,381,764</u>            | <u>2,655,250</u>            |
| <b>Mezzanine loan</b> . . . . .               |                      |                 | —                           | 1,159,360                   |
| <b>Financing fees</b> . . . . .               |                      |                 | (61,033)                    | (102,568)                   |
| <b>Total</b> . . . . .                        |                      |                 | <u>2,320,731</u>            | <u>3,712,042</u>            |

#### Senior Credit Facilities

##### Facility A loan

The Company is required to repay the Facility A loan in several instalments. Furthermore the Company is allowed to prepay any future instalments. Any prepayments are deducted from future repayments, thus reducing short term repayment obligations.

During 2010 the Company made prepayments on the Facility A loan for an amount of €170.0 million (2009: €160.0 million). According to the repayment schedule the remaining facility must be repaid on 31 March 2013 and 30 September 2013 in equal instalments of €17.6 million each.

##### Facility B loan

During 2010 the Company made prepayments on the Facility B loan for an amount of €8.1 million (2009: nil).

##### Facility C loan

During 2010 the Company made prepayments on the Facility C loan for an amount of €845.4 million (2009: nil). The prepayment on the Facility C loan is financed by the issuance of the 6.125% Senior Secured Notes.

#### *Facility D loan*

During 2010 the Company did not make any (p)repayments on the Facility D loan hence the Facility D loan is stated at its principal amount of €250.0 million (2009: €250.0 million).

#### *Revolving and capital expenditure restructuring facility*

Under the Senior Credit Facility agreement the Company has a revolving credit facility of €150.0 million and a capital expenditure restructuring facility of €250.0 million. During the year 2010 there were no drawings under these facilities (2009: nil). The Company pays an annual fee for the availability of the facilities, which is recognised in financial income and expense.

#### *Facility E loan*

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. Interest on the Notes is payable semi-annually on 15 May and 15 November of each year. Ziggo Finance B.V. granted the proceeds of the notes to Plinius Investments II B.V. and Serpering Investments B.V., both indirectly wholly owned subsidiaries of the Company. The senior secured notes are presented under loans from financial institutions as Facility E loan.

The Facility E loan is stated at amortised cost. Financing fees have been charged for an amount of €10.6 million, which are presented as a deduction from the loan. The subsequent effective interest rate is 6.37%, which is recognised as financial expense.

#### *Prepayment*

On certain occasions prepayment of part or all of the drawn facilities is mandatory. For example the occurrence of a change in control or the sale of all or substantially all of the assets of the Company will lead to a cancellation of the facilities. All outstanding utilisations and ancillary outstandings, together with accrued interest, become immediately due and payable.

#### *Securitisation*

The total Senior Credit Facility is secured over the Company's tangible assets as follows:

Mortgage on all registered properties, related movable assets, the network related elements and the claims; Pledges on all bank accounts, intellectual property rights, receivables and movable assets.

The Company needs to comply on a quarterly basis with covenants set by the lenders of the senior credit facility. These covenants are the interest coverage ratio and net leverage ratio. These financial covenants were all met during the years 2010 and 2009.

#### *Mezzanine facility*

The Company repaid the Mezzanine facility in 2010 with an original maturity date in 2016 for an amount of €1,181.1 million including PIK interest of €181.1 million of which €21.8 million relates to accrued PIK interest in 2010.

#### *Financing fees*

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

#### **8.0% Senior Notes**

On 27 April, 2010, Ziggo Bond Company B.V., a direct, wholly owned subsidiary of the Company, issued unsecured Senior Notes for an amount of €1,208.9 million at a price of 99.271% with a nominal interest rate of 8.0% due in 2018.

The notes are senior obligations of the Company and are guaranteed on a senior subordinated basis by all of the subsidiaries of Ziggo Bond Company B.V. Financing fees have been charged in the amount of €25.9 million, which are presented as a deduction from the loan. The effective interest rate subsequently is 8.38%, which is recognised as financial expense. Interest is payable semi-annually on 15 May and 15 November.



## 17. Interest-bearing loans from related parties

Interest-bearing loans from related parties consists of three loans from Even Investments 2 Sàrl:

- A loan for an amount of €190.5 million (2009: €167.0 million), subject to 14.125% interest;
- A loan for an amount of €1,874.7 million (2009: €1,703.0 million), subject to 10.08% interest;
- A loan for an amount of €0.1 million (2009: €0.1 million) which is not subject to interest.

All loans stated above are subordinated and repayable in full at the end of 2015. Any unpaid interest is added to the loan and is also repayable at the end of 2015. During the year 2010 interest expense on these loans amounts to €195.2 million (2009: €176.6 million).

## 18. Provisions

| Amounts in thousands of €             | Other<br>long-term<br>employee<br>benefits | Restructuring | Legal claims | Other | Total   |
|---------------------------------------|--|---------------|--------------|-------|---------|
| At 31 December 2008 . . . . .         | 13,424                                     | 5,121         | 11,980       | 2,000 | 32,525  |
| Additions (including interest cost) . | 1,795                                      | 9,694         | 720          | 146   | 12,355  |
| Usage . . . . .                       | (799)                                      | (3,258)       | (408)        | (541) | (5,006) |
| Released . . . . .                    | —  | (1,760)       | —            | —     | (1,760) |
| At 31 December 2009 . . . . .         | 14,420                                     | 9,797         | 12,292       | 1,605 | 38,114  |
| Current . . . . .                     | 1,738                                      | 9,797         | 12,292       | 1,605 | 25,432  |
| Non-current . . . . .                 | 12,682                                     | —             | —            | —     | 12,682  |
| At 31 December 2009 . . . . .         | 14,420                                     | 9,797         | 12,292       | 1,605 | 38,114  |
| Additions (including interest cost) . | 1,433                                      | 2,501         | 780          | 6,131 | 10,845  |
| Usage . . . . .                       | (1,054)                                    | (7,369)       | —            | (536) | (8,959) |
| Released . . . . .                    | (1,041)                                    | (7)           | (710)        | (935) | (2,693) |
| At 31 December 2010 . . . . .         | 13,758                                     | 4,922         | 12,362       | 6,265 | 37,307  |
| Current . . . . .                     | 1,166                                      | 3,806         | —            | 2,166 | 7,138   |
| Non-current . . . . .                 | 12,592                                     | 1,116         | 12,362       | 4,099 | 30,169  |
| At 31 December 2010 . . . . .         | 13,758                                     | 4,922         | 12,362       | 6,265 | 37,307  |

### Defined benefit plans

The Company provides pension plans for qualifying employees. The plans are multi-employer defined benefit plans with publicly or privately administered pension insurance organisations (so called ‘bedrijfstak-pensioenfondsen’). 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. The Company has no obligations for deficits other than higher future pension-insurance payments. The Company pays contributions on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses in the income statement when they are due.

At 31 December 2010 the main administered pension insurance organisation had a coverage ratio of 105%.

### 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 1 January 1957 or employees born before 1 January 1959 and in service for at least 25 years as at 31 December 2008;

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

According to the plan rules, 75% of the working time reduction is compensated by the Company. The employee benefit plan is wholly unfunded and consequently the Company 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 income statement as a component of personnel expenses, was as follows:

| <u>Amounts in thousands of €</u>    | <u>2010</u> | <u>2009</u>  |
|-------------------------------------|-------------|--------------|
| Service cost . . . . .              | 943         | 977          |
| Interest cost . . . . .             | 490         | 563          |
| Actuarial (gains)/losses . . . . .  | (1,041)     | 255          |
| Net periodic benefit cost . . . . . | <u>392</u>  | <u>1,795</u> |

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

| <u>Amounts in thousands of €</u>                    | <u>2010</u>   | <u>2009</u>   |
|---|---------------|---------------|
| Defined benefit obligation at 1 January . . . . .   | 14,420        | 13,424        |
| Service cost . . . . .                              | 943           | 977           |
| Interest cost . . . . .                             | 490           | 563           |
| Actuarial (gains)/losses . . . . .                  | (1,041)       | 255           |
| Benefits paid . . . . .                             | (1,054)       | (799)         |
| Defined benefit obligation at 31 December . . . . . | <u>13,758</u> | <u>14,420</u> |

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 balance sheet.

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

|   | <u>2010</u>                   | <u>2009</u> |
|---|-------------------------------|-------------|
| Discount rate . . . . .                                   | 4.10%                         | 3.30%       |
| Price inflation . . . . .                                 | 1.00%                         | 1.00%       |
| Future salary increase . . . . .                          | 1.00%                         | 1.00%       |
| Turnover rates . . . . .                                  | 0.50%–1.00%                   | 0.50%–1.00% |
| Additional turnover rate early retirement at 62 . . . . . | 10.00%                        | 10.00%      |
| Mortality table . . . . .                                 | AG Generation table 2010–2060 |             |

The Company applies defined benefit accounting for the other long term employee benefit plan retrospectively as of January 1, 2009 (see Note 2). As a consequence the Company is not able to provide an experience table with the defined benefit obligation (since actuarial gains and losses are recognised when they occur, they do not have an impact on the plan liabilities) for the years 2008, 2007 and 2006.

### **Restructuring provision**

In 2007, the Company entered into an agreement with the Works Council for a social plan with respect to the restructuring of the head office organisation resulting in a workforce reduction. Management approved a detailed formal restructuring plan and the restructuring was announced to the parties concerned. The restructuring plan was executed in 2008 and 2009. Employees were able to apply for the social plan until the end of 2009. The number of employees that applied exceeded management's initial expectation and consequently the restructuring provision was increased in both 2010 and 2009.

### **Legal claims provision**

The Company recognised a provision for disputes with a limited number of municipalities on the operation of the network. The addition to the legal claims is interest expense recognised within financial income and expense.

### **Other provisions**

Other provisions include asset retirement obligations and onerous contracts.

## 19. Other current liabilities

The Company's other current liabilities comprise the following:

| <u>Amounts in thousands of €</u>    | <u>31 December<br/>2010</u> | <u>31 December<br/>2009</u> |
|-------------------------------------|-----------------------------|-----------------------------|
| Accrued interest . . . . .          | 20,179                      | 1,561                       |
| Accrued expenses . . . . .          | 67,756                      | 70,744                      |
| Taxes and social security . . . . . | 15,129                      | 19,613                      |
| Accrued employee benefits . . . . . | 12,938                      | 12,003                      |
| Other . . . . .                     | 1,569                       | 2,869                       |
| Total . . . . .                     | <u>117,571</u>              | <u>106,790</u>              |

## 20. 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, in the main. Lease terms generally range from three to five years with the option of renewal for varying terms. Lease commitments for coming periods are shown in the following schedule:

| <u>€ thousand</u>               | <u>31 December 2010</u> |                            |               | <u>31 December<br/>2009</u> |
|---------------------------------|-------------------------|----------------------------|---------------|-----------------------------|
|                                 | <u>Buildings</u>        | <u>Other<br/>contracts</u> | <u>Total</u>  |                             |
| Within 1 year . . . . .         | 9,023                   | 4,960                      | 13,983        | 14,542                      |
| Between 1 and 5 years . . . . . | 25,177                  | 9,588                      | 34,765        | 45,076                      |
| After 5 years . . . . .         | 7,891                   | —                          | 7,891         | 10,349                      |
| Total . . . . .                 | <u>42,091</u>           | <u>14,548</u>              | <u>56,639</u> | <u>69,967</u>               |

### Purchase commitments

The Company enters into purchase commitments in the ordinary course of business. As at 31 December 2010 it had purchase commitments for an amount of €36 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 financial condition, 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 balance sheet and Note 18.

## 21. 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

In 2010, management fees of €0.5 million (2009: €0.5 million) have been charged by the ultimate shareholders to the Company.

In the normal course of business, the Company and its subsidiaries maintain various types of ordinary 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.

## Remuneration of the Board of Management of the Company

As of 31 December 2010 the members of the Board of Management of the Company are:

- Mr. B.E. Dijkhuizen (Chief Executive Officer)
- Mr. H.L.L. Groenewegen (Chief Financial Officer)
- Mr. P.J. Hendriks (Chief Technology Officer)
- Mr. M.J. Nijhoff (Chief Commercial Officer)

The following appointments were made in 2010:

- Mr. H.L.L. Groenewegen succeeded Mr. W.R. Blom as Chief Financial Officer in March 2010.
- Mr. P.J. Hendriks was appointed Chief Technology Officer in April 2010

The aggregated remuneration of the Board of Management members B.E. Dijkhuizen, H.L.L. Groenewegen (as from March 2010), W.R. Blom (until March 2010), P.J. Hendriks and M.J. Nijhoff can be broken down as follows:

| Amounts in thousands of €       | 2010         | 2009         |
|---------------------------------|--------------|--------------|
| Wages and salaries . . . . .    | 1,498        | 1,090        |
| Bonus payments . . . . .        | 563          | 350          |
| Social security costs . . . . . | 28           | 18           |
| Pensions costs . . . . .        | 218          | 176          |
| Total . . . . .                 | <u>2,307</u> | <u>1,634</u> |

## Remuneration of the Supervisory Board of the Company

The aggregated remuneration of four Supervisory Board members in 2010 amounts to €207 (2009: €122).

## 22. 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 program, the Company's exposure, objectives, policies and processes for measuring and managing risk are presented below.

### Credit risk

The credit risk on residential trade accounts receivable is considered to be low as a result of the large residential 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 larger receivables per customer than for the Company's residential customers.

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

| Amounts in thousands of € | Total  | Not due<br><30 days | Past due, but not impaired |            |             |              |           |
|---------------------------|--------|---------------------|----------------------------|------------|-------------|--------------|-----------|
|                           |        |                     | 30-60 days                 | 60-90 days | 90-180 days | 180-365 days | >365 days |
| 2010 . . . . .            | 20,086 | 11,269              | 2,248                      | 1,182      | 1,526       | 1,186        | 2,675     |
| 2009 . . . . .            | 43,592 | 24,725              | 3,307                      | 2,653      | 6,190       | 6,537        | 180       |

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

## 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 projected cash flows over rolling periods of six months.

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

| <b>31 December 2010</b>                        | <b>Carrying amount</b> | <b>Contractual cash flows</b> | <b>January–March 2011</b> | <b>April–December 2011</b> | <b>2012</b>      | <b>2013–2015</b>   | <b>After 2015</b>  |
|--|------------------------|-------------------------------|---------------------------|----------------------------|------------------|--------------------|--------------------|
| <b>Non-derivative financial liabilities</b>    |                        |                               |                           |                            |                  |                    |                    |
| Loans from financial institutions . . . . .    | (2,381,764)            | (2,965,147)                   | (27,145)                  | (82,942)                   | (110,086)        | (1,656,328)        | (1,088,646)        |
| Loans from related parties . . . . .           | (2,065,336)            | (3,399,080)                   | —                         | —                          | —                | (3,399,080)        | —                  |
| 8.0% Senior Notes . . . . .                    | (1,176,530)            | (1,921,310)                   | (23,846)                  | (72,862)                   | (96,708)         | (290,124)          | (1,437,770)        |
| Trade accounts payable . . . . .               | (80,165)               | (80,165)                      | (80,165)                  | —                          | —                | —                  | —                  |
| <b>Derivative financial liabilities</b>        |                        |                               |                           |                            |                  |                    |                    |
| Interest rate swaps used for hedging . . . . . | (92,986)               | (126,021)                     | (18,908)                  | (45,059)                   | (27,580)         | (34,474)           | —                  |
| <b>Total . . . . .</b>                         | <b>(5,796,781)</b>     | <b>(8,491,723)</b>            | <b>(150,064)</b>          | <b>(200,863)</b>           | <b>(234,374)</b> | <b>(5,380,006)</b> | <b>(2,526,416)</b> |

| <b>31 December 2009</b>                        | <b>Carrying amount</b> | <b>Contractual cash flows</b> | <b>January–March 2010</b> | <b>April–December 2010</b> | <b>2011</b>      | <b>2012–2014</b>   | <b>After 2014</b>  |
|--|------------------------|-------------------------------|---------------------------|----------------------------|------------------|--------------------|--------------------|
| <b>Non-derivative financial liabilities</b>    |                        |                               |                           |                            |                  |                    |                    |
| Loans from financial institutions . . . . .    | (3,814,610)            | (5,155,266)                   | (35,584)                  | (109,791)                  | (148,204)        | (1,749,101)        | (3,112,586)        |
| Loans from related parties . . . . .           | (1,869,979)            | (3,399,080)                   | —                         | —                          | —                | —                  | (3,399,080)        |
| Trade accounts payable . . . . .               | (102,951)              | (102,951)                     | (102,951)                 | —                          | —                | —                  | —                  |
| <b>Derivative financial liabilities</b>        |                        |                               |                           |                            |                  |                    |                    |
| Interest rate swaps used for hedging . . . . . | (102,261)              | (219,054)                     | (24,012)                  | (61,368)                   | (67,960)         | (65,714)           | —                  |
| <b>Total . . . . .</b>                         | <b>(5,889,801)</b>     | <b>(8,876,351)</b>            | <b>(162,547)</b>          | <b>(171,159)</b>           | <b>(216,164)</b> | <b>(1,814,815)</b> | <b>(6,511,666)</b> |

## Market risk

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

### Interest rate risk

Exposure to the risk of changes in the 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 50% of its borrowings at fixed rates of interest. The net interest rate risk can be analysed as follows:

| <b>Amounts in thousands of €</b>                             | <b>31 December 2010</b> | <b>31 December 2009</b> |
|--|-------------------------|-------------------------|
| Notional amount borrowing (floating) . . . . .               | (1,631,764)             | (3,814,610)             |
| Cash (floating) & deposits (floating and/or fixed) . . . . . | 66,994                  | 65,271                  |
| Notional amount IRS (fixed) . . . . .                        | 2,670,500               | 2,838,000               |
| Net interest rate risk . . . . .                             | 1,105,730               | (911,339)               |
| Notional amount IRS—offset . . . . .                         | 1,142,500               | —                       |
| Net interest rate risk—including offset IRS . . . . .        | <u>(36,770)</u>         | <u>(911,339)</u>        |

At 31 December 2010, after taking into account the effect of Interest Rate Swaps, approximately 99% of the Company's borrowings are at a fixed interest rate (2009: 84%).

#### *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 tax (through the impact on floating rate borrowings). There is no impact on the Company's equity.

|  | <u>31 December<br/>2010</u> | <u>31 December<br/>2009</u> |
|--|-----------------------------|-----------------------------|
| <b>Increase/decrease in basis points</b> |                             |                             |
| +20bp . . . . .                          | (74)                        | (1,823)                     |
| +10bp . . . . .                          | (37)                        | (911)                       |
| – 10bp . . . . .                         | 37                          | 911                         |
| – 20bp . . . . .                         | 74                          | 1,823                       |

#### *Foreign currency risk*

The Company has transactional currency exposures arising from purchases in USD. The Company enters into foreign exchange swaps to partially mitigate this risk. As at 31 December 2010 the net foreign currency exposure of the USD amounts to USD 7.9 million (2009: USD 15.0 million) and relates to the net amount of cash & cash equivalents and trade accounts payable. Of this exposure USD 2.9 million at an average fixed rate of USD 1.35 was hedged with maturity dates between 3 January 2011 and 28 January 2011.

### **23. 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 balance sheet:

| <u>Amounts in thousands of €</u>                        | <u>31 December 2010</u>    |                    | <u>31 December 2009</u>    |                    |
|---|----------------------------|--------------------|----------------------------|--------------------|
|   | <u>Carrying<br/>amount</u> | <u>Fair value</u>  | <u>Carrying<br/>amount</u> | <u>Fair value</u>  |
| <i>Financial assets</i>                                 |                            |                    |                            |                    |
| Derivatives, included in other current assets . . . .   | 18                         | 18                 | —                          | —                  |
| Loans . . . . .   | 51                         | 51                 | 87                         | 87                 |
| Trade accounts receivable . . . . .                     | 20,086                     | 20,086             | 43,592                     | 43,592             |
| Cash and cash equivalents . . . . .                     | 67,003                     | 67,003             | 65,297                     | 65,297             |
| Total financial assets . . . . .                        | <u>87,158</u>              | <u>87,158</u>      | <u>108,976</u>             | <u>108,976</u>     |
| <i>Financial liabilities</i>                            |                            |                    |                            |                    |
| Loans from financial institutions . . . . .             | (2,381,764)                | (2,380,674)        | (3,814,610)                | (3,715,849)        |
| 8% Senior Notes . . . . .                               | (1,176,530)                | (1,246,122)        | —                          | —                  |
| Interest bearing loans from related parties . . . . .   | (2,065,336)                | (2,065,336)        | (1,869,979)                | (1,869,979)        |
| Trade accounts payable . . . . .                        | (80,165)                   | (80,165)           | (102,951)                  | (102,951)          |
| Total financial liabilities at amortised cost . . . . . | (5,703,795)                | (5,772,297)        | (5,787,540)                | (5,688,779)        |
| Derivative financial instruments . . . . .              | (92,986)                   | (92,986)           | (102,261)                  | (102,261)          |
| Total financial liabilities . . . . .                   | <u>(5,796,781)</u>         | <u>(5,865,283)</u> | <u>(5,889,801)</u>         | <u>(5,791,040)</u> |

The carrying amounts of receivables, other current assets, cash and cash equivalents and accounts payable approximate their fair values because of the short-term nature of these instruments and, for receivables, because of the fact that any recoverability loss is reflected in an impairment loss. 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 31 December 2010, the Company has Interest Rate Swap (IRS) agreements with a total notional amount of €2,670.5 million (2009: €2,838.0 million) under which it pays a fixed rate of interest (between 3.55% and 3.84%) and receives a variable rate equal to EURIBOR on the notional amount. These IRS agreements are used to reduce the exposure to changes in the variable EURIBOR rates on the outstanding loan portfolio of €1,631.7 million (2009: €3,814.6 million). The notional amounts of the IRS agreements will be reduced in line with the repayment schedule on the loan portfolio (currently the last IRS agreement will mature in 2014). In addition the Company has basis swap agreements for a total notional amount of €1,135.0 million in order to match the EURIBOR in the Senior Credit Facility.

In 2010, repayments totalling €2,204.6 million on interest-bearing loans from financial institutions with floating interest rates (see Note 16) were made and changed the exposure of the Company to interest rate fluctuations. As a result existing IRS agreements in place to mitigate these fluctuations exceeded the Company's notional amount of loans to financial institutions subject to changes in the variable EURIBOR rates. To reduce this over-hedged position the Company offset IRS agreements with a notional amount of €1,142.5 million.

The Company has foreign currency swap agreements to reduce its exposure on fluctuations of its purchase obligations in US Dollars. Settlement of these agreements occurs within three months. As at 31 December 2010 the notional amount of these agreements was USD 2.9 million.

## Hedge accounting

As a consequence of the refinancing of the Company in October 2010 (discussed in Note 16), the Company no longer applies hedge accounting for IRS, as the hedges concerned became ineffective. As of October 2010 any change in fair value of IRS is reported in financial income and expense. The cash flow hedge reserve recognised within other comprehensive income will be reclassified to financial income and expense in the same periods during which the hedge forecast cash flows affect the consolidated income statement. The cash-flow hedge reserve recognised up to the effectiveness amounted €16.3 million, after income tax.

## Fair value hierarchy

Of the Company's categories of financial instruments, only derivatives are measured at fair value using the Level 2 inputs as defined in IFRS 7 "Financial Instruments: Disclosures". These 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.

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 2010 and 2009.

## Derivatives

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

| Amounts in thousands of €                        | 31 December 2010    |            | 31 December 2009    |            |
|--|---------------------|------------|---------------------|------------|
|  | Number of contracts | Fair value | Number of contracts | Fair value |
| <i>Interest rate swaps</i>                       |                     |            |                     |            |
| within one year . . . . .                        | 9                   | (34,539)   | 7                   | (99,599)   |
| within two–five years . . . . .                  | 3                   | (58,447)   | 3                   | (2,662)    |
| <i>Foreign currency forwards</i>                 |                     |            |                     |            |
| within one year . . . . .                        | 6                   | 18         | —                   | —          |
| Total derivative financial instruments . . . . . | 18                  | (92,968)   | 10                  | (102,261)  |

## 24. Adjustments of prior periods

### *Other long-term employee benefits*

The Company acquired @Home in February 2007. Employees of @Home were entitled to a long-term employee benefit plan (see Note 18 for details of the plan). Upon acquisition the plan was continued by the Company and made available—under the same conditions—to former Multikabel and Casema employees to prevent discrepancies. The Company did not recognise a liability for its obligations under the benefit plan however. IFRS (IAS 19 “Employee Benefits”) requires the Company to recognise this liability in the balance sheet, and therefore the balance sheet as at 1 January 2009 and as at 31 December 2009 have been adjusted as well as the income statement for 2009.

To improve insight into the expenses the Company reclassified items within operating expenses. These reclassifications did not impact net income.

The overview below presents the income statement for 2009 as previously reported, reclassifications and adjustments made.

| Amounts in thousands of €                          | 2009                |                   |             |           |
|--|---------------------|-------------------|-------------|-----------|
|  | Previously reported | Reclassifications | Adjustments | Adjusted  |
| Revenues . . . . .                                 | 1,284,395           | —                 | —           | 1,284,395 |
| Cost of goods sold . . . . .                       | 255,481             | 7,795             | —           | 263,276   |
| Personnel expenses . . . . .                       | 175,868             | 3,481             | 433         | 179,782   |
| Contracted work . . . . .                          | 80,980              | (12,628)          | —           | 68,352    |
| Materials & logistics . . . . .                    | 11,166              | (7,795)           | —           | 3,371     |
| Marketing & sales . . . . .                        | 36,944              | 18,388            | —           | 55,332    |
| Office expense . . . . .                           | 64,405              | (9,039)           | —           | 55,366    |
| Other operating expenses . . . . .                 | 10,877              | (202)             | —           | 10,675    |
| Depreciation and impairments . . . . .             | 261,752             | —                 | —           | 261,752   |
| Amortisation and impairments . . . . .             | 215,488             | —                 | —           | 215,488   |
| Total operating expenses . . . . .                 | 1,112,961           | —                 | 433         | 1,113,394 |
| Operating income . . . . .                         | 171,434             | —                 | (433)       | 171,001   |
| Net financial income (expense) . . . . .           | (489,655)           | —                 | (563)       | (490,218) |
| Result before income taxes . . . . .               | (318,221)           | —                 | (996)       | (319,217) |
| Income tax benefit (expense) . . . . .             | 81,146              | —                 | 254         | 81,400    |
| Net result . . . . .                               | (237,075)           | —                 | (742)       | (237,817) |
| Net result attributable to equity holder . . . . . | (237,075)           | —                 | (742)       | (237,817) |

The overview below presents the balance sheet at year-end 2009 as previously reported and the adjustments made.

| Amounts in thousands of €                             | 31 December 2009    |                   |              |                  |
|---|---------------------|-------------------|--------------|------------------|
|   | Previously reported | Reclassifications | Adjustments  | Adjusted         |
| <b>ASSETS</b>   |                     |                   |              |                  |
| Intangible assets . . . . .                           | 3,593,060           | —                 | 6,000        | 3,599,060        |
| Property and equipment . . . . .                      | 1,549,664           | —                 | —            | 1,549,664        |
| Financial assets . . . . .                            | 368                 | —                 | —            | 368              |
| Deferred tax assets . . . . .                         | 276,378             | —                 | 3,677        | 280,055          |
| Total non-current assets . . . . .                    | 5,419,470           | —                 | 9,677        | 5,429,147        |
| Inventories . . . . .                                 | 25,542              | —                 | —            | 25,542           |
| Trade accounts receivable . . . . .                   | 43,592              | —                 | —            | 43,592           |
| Other current assets . . . . .                        | 27,184              | —                 | —            | 27,184           |
| Cash and cash equivalents . . . . .                   | 65,297              | —                 | —            | 65,297           |
| Total current assets . . . . .                        | 161,615             | —                 | —            | 161,615          |
| <b>TOTAL ASSETS . . . . .</b>                         | <b>5,581,085</b>    | <b>—</b>          | <b>9,677</b> | <b>5,590,762</b> |
| <b>EQUITY AND LIABILITIES</b>                         |                     |                   |              |                  |
| Issued share capital . . . . .                        | 20                  | —                 | —            | 20               |
| Share premium . . . . .                               | 36,647              | —                 | —            | 36,647           |
| Other reserves . . . . .                              | (27,149)            | —                 | —            | (27,149)         |
| Retained earnings . . . . .                           | (899,925)           | —                 | (4,743)      | (904,668)        |
| Equity attributable to equity holder . . . . .        | (890,407)           | —                 | (4,743)      | (895,150)        |
| Interest-bearing loans . . . . .                      | 3,712,042           | —                 | —            | 3,712,042        |
| Interest-bearing loans from related parties . . . . . | 1,869,979           | —                 | —            | 1,869,979        |
| Derivative financial instruments . . . . .            | 99,599              | —                 | —            | 99,599           |
| Provisions . . . . .                                  | —                   | —                 | 12,682       | 12,682           |
| Deferred tax liabilities . . . . .                    | 447,528             | —                 | —            | 447,528          |
| Total non-current liabilities . . . . .               | 6,129,148           | —                 | 12,682       | 6,141,830        |
| Deferred revenues . . . . .                           | 106,247             | —                 | —            | 106,247          |
| Derivative financial instruments . . . . .            | 2,662               | —                 | —            | 2,662            |
| Provisions . . . . .                                  | 23,694              | —                 | 1,738        | 25,432           |
| Trade accounts payable . . . . .                      | 102,951             | —                 | —            | 102,951          |
| Other current liabilities . . . . .                   | 106,790             | —                 | —            | 106,790          |
| Total current liabilities . . . . .                   | 342,344             | —                 | 1,738        | 344,082          |
| <b>TOTAL EQUITY AND LIABILITIES . . . . .</b>         | <b>5,581,085</b>    | <b>—</b>          | <b>9,677</b> | <b>5,590,762</b> |

The overview below presents the opening balance sheet of 2009 as previously reported and the adjustments made.

| Amounts in thousands of €                             | 1 January 2009      |                   |              |                  |
|---|---------------------|-------------------|--------------|------------------|
|   | Previously reported | Reclassifications | Adjustments  | Adjusted         |
| <b>ASSETS</b>   |                     |                   |              |                  |
| Intangible assets . . . . .                           | 3,718,436           | —                 | 6,000        | 3,724,436        |
| Property and equipment . . . . .                      | 1,646,419           | —                 | —            | 1,646,419        |
| Financial assets . . . . .                            | 899                 | —                 | —            | 899              |
| Deferred tax assets . . . . .                         | 222,143             | —                 | 3,423        | 225,566          |
| Total non-current assets . . . . .                    | 5,587,897           | —                 | 9,423        | 5,597,320        |
| Inventories . . . . .                                 | 13,978              | —                 | —            | 13,978           |
| Trade accounts receivable . . . . .                   | 48,719              | —                 | —            | 48,719           |
| Other current assets . . . . .                        | 30,102              | —                 | —            | 30,102           |
| Cash and cash equivalents . . . . .                   | 42,644              | —                 | —            | 42,644           |
| Total current assets . . . . .                        | 135,443             | —                 | —            | 135,443          |
| <b>TOTAL ASSETS . . . . .</b>                         | <b>5,723,340</b>    | <b>—</b>          | <b>9,423</b> | <b>5,732,763</b> |
| <b>EQUITY AND LIABILITIES</b>                         |                     |                   |              |                  |
| Issued share capital . . . . .                        | 20                  | —                 | —            | 20               |
| Share premium . . . . .                               | 36,647              | —                 | —            | 36,647           |
| Other reserves . . . . .                              | —                   | —                 | —            | —                |
| Retained earnings . . . . .                           | (662,850)           | —                 | (4,001)      | (666,851)        |
| Equity attributable to equity holder . . . . .        | (626,183)           | —                 | (4,001)      | (630,184)        |
| Interest-bearing loans . . . . .                      | 3,801,283           | —                 | —            | 3,801,283        |
| Interest-bearing loans from related parties . . . . . | 1,693,370           | —                 | —            | 1,693,370        |
| Derivative financial instruments . . . . .            | 73,935              | —                 | —            | 73,935           |
| Provisions . . . . .                                  | 5,093               | —                 | 12,097       | 17,190           |
| Deferred tax liability . . . . .                      | 483,731             | —                 | —            | 483,731          |
| Total non-current liabilities . . . . .               | 6,057,412           | —                 | 12,097       | 6,069,509        |
| Deferred revenues . . . . .                           | 97,407              | —                 | —            | 97,407           |
| Provisions . . . . .                                  | 14,008              | —                 | 1,327        | 15,335           |
| Trade accounts payable . . . . .                      | 60,242              | —                 | —            | 60,242           |
| Other current liabilities . . . . .                   | 120,454             | —                 | —            | 120,454          |
| Total current liabilities . . . . .                   | 292,111             | —                 | 1,327        | 293,438          |
| <b>TOTAL EQUITY AND LIABILITIES . . . . .</b>         | <b>5,723,340</b>    | <b>—</b>          | <b>9,423</b> | <b>5,732,763</b> |

## 25. Subsidiaries

The following companies are Zesko's significant subsidiaries as at 31 December 2010. Unless otherwise indicated, these are wholly owned subsidiaries. Subsidiaries that are not important 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 Netherlands Civil Code. Pursuant to this section, the Company has issued declarations of assumption of liability for its subsidiaries. These companies are marked with an \* in the following table.

Ziggo Bond Company Holding B.V., Amsterdam, the Netherlands  
 Ziggo Bond Company B.V., Amsterdam, the Netherlands  
 Amsterdamse Beheer- en Consultingmaatschappij B.V., Amsterdam, the Netherlands  
 Christina Beheer- en Adviesmaatschappij B.V., Amsterdam, the Netherlands\*  
 Serpering Investments B.V., Amsterdam, the Netherlands\*  
 Plinius Investments II B.V., Amsterdam, the Netherlands\*  
 Torensplits II B.V., Amsterdam, the Netherlands\*  
 Ziggo Holding B.V., Groningen, the Netherlands\*

Ziggo B.V., Groningen, the Netherlands\*  
Ziggo Netwerk B.V., Groningen, the Netherlands\*

**26. Subsequent events**

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

**PARENT COMPANY FINANCIAL STATEMENTS**  
**INCOME STATEMENT**

| <u>Amounts in thousands of €</u>               | <u>Note</u> | <u>2010</u>      | <u>2009</u>      |
|--|-------------|------------------|------------------|
| Result investments, after income tax . . . . . | 3           | (51,259)         | (106,243)        |
| Profit (loss) after income tax . . . . .       |             | <u>(149,139)</u> | <u>(131,574)</u> |
| Net result . . . . .                           |             | <u>(200,398)</u> | <u>(237,817)</u> |

**BALANCE SHEET**

| <u>Amounts in thousands of €</u>                      | <u>Note</u> | <u>31 December<br/>2010</u> | <u>31 December<br/>2009</u> |
|---|-------------|-----------------------------|-----------------------------|
| <b>ASSETS</b>   |             |                             |                             |
| Investments in subsidiaries . . . . .                 | 3           | 797,477                     | 836,678                     |
| Deferred tax receivable . . . . .                     |             | <u>183,974</u>              | <u>137,865</u>              |
| Total non-current assets . . . . .                    |             | <u>981,451</u>              | <u>974,543</u>              |
| Other current assets . . . . .                        | 4           | <u>896</u>                  | <u>396</u>                  |
| Total current assets . . . . .                        |             | <u>896</u>                  | <u>396</u>                  |
| <b>TOTAL ASSETS . . . . .</b>                         |             | <b><u>982,347</u></b>       | <b><u>974,939</u></b>       |
| <b>EQUITY AND LIABILITIES</b>                         |             |                             |                             |
| Issued share capital . . . . .                        |             | 20                          | 20                          |
| Share premium . . . . .                               |             | 36,647                      | 36,647                      |
| Other reserves . . . . .                              |             | (15,100)                    | (27,149)                    |
| Retained earnings . . . . .                           |             | <u>(1,105,066)</u>          | <u>(904,668)</u>            |
| Equity attributable to equity holder . . . . .        | 5           | <u>(1,083,499)</u>          | <u>(895,150)</u>            |
| Interest-bearing loans from related parties . . . . . | 6           | <u>2,065,336</u>            | <u>1,870,089</u>            |
| Total non-current liabilities . . . . .               |             | <u>2,065,336</u>            | <u>1,870,089</u>            |
| Other current liabilities . . . . .                   | 7           | <u>510</u>                  | <u>—</u>                    |
| Total current liabilities . . . . .                   |             | <u>510</u>                  | <u>—</u>                    |
| <b>TOTAL EQUITY AND LIABILITIES . . . . .</b>         |             | <b><u>982,347</u></b>       | <b><u>974,939</u></b>       |



## NOTES TO THE PARENT COMPANY FINANCIAL STATEMENTS

### 1. Corporate information

The principal activities of Zesko B.V. ('the Company') are to participate in, to finance or to have any other interest in, or to conduct the management of, other companies and enterprises. The Company is the owner and operator of a broadband cable network in the Netherlands and offers analogue and digital radio and television, broadband internet and telephony services in the Netherlands to 3.1 million households under the brand name Ziggo.

The Company is a private limited company incorporated in Amsterdam (address: Winschotendiep 60, 9723 AB Groningen,) in the Netherlands. The Company is wholly owned by Zesko Holding B.V. whose ultimate shareholders are investment funds that are ultimately managed by the private equity companies Cinven Limited and Warburg Pincus LLC.

### 2. Significant accounting policies

#### Basis of preparation

The parent company financial statements of Zesko 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 parent company financial statements are the same as those applied in the consolidated financial statements (see Note 3 to the consolidated financial statements). This means that the principles for recognition and measurement of assets and liabilities and determination of the result of the Company are the same as those applied for the consolidated financial statements.

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) issued by the International Accounting Standards Board and adopted by the European Union. The accounting policies applied in the parent company financial statements are the same as those applied in the consolidated financial statements. Reference is made to Note 3 of the consolidated financial statements for a description of these principles.

As the financial data of Zesko 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).

#### Investments in subsidiaries

Investments in subsidiaries are accounted for using the net equity value. Zesko B.V. calculates the net equity value using the accounting policies as described in Note 3 to the consolidated financial statements. The net equity value of subsidiaries comprise the cost, excluding goodwill, of Zesko B.V.'s share in the net assets of the subsidiary, plus the share in income or losses since acquisition, less dividends received. In case the net equity 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. Investment in subsidiaries

Movements of the Company's investment in subsidiaries were as follows:

| Amounts in thousands of €              | 2010           | 2009           |
|--|----------------|----------------|
| Balance at 1 January . . . . .         | 836,678        | 970,070        |
| Cash flow hedge reserve . . . . .      | 12,049         | (27,149)       |
| Establishment new investment . . . . . | 9              | —              |
| Result subsidiary . . . . .            | (51,259)       | (106,243)      |
| Balance at 31 December . . . . .       | <u>797,477</u> | <u>836,678</u> |

#### 4. Other current assets

The Company has the following intercompany balances with group companies, included in other current assets:

| <u>Amounts in thousands of €</u>   | <u>2010</u> | <u>2009</u> |
|------------------------------------|-------------|-------------|
| Ziggo B.V. . . . . .               | 675         | 175         |
| Plinius Investments B.V. . . . . . | 221         | 221         |
| Balance at 31 December . . . . .   | <u>896</u>  | <u>396</u>  |

#### 5. Shareholder's equity

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

| <u>Amounts in thousands of €</u>               | <u>31 December 2010</u> | <u>31 December 2009</u> |
|--|-------------------------|-------------------------|
| Authorised capital                             |                         |                         |
| Ordinary shares, 1,000 of €100 each . . . . .  | 100                     | 100                     |
| Issued and fully paid (201 shares) . . . . .   | 20                      | 20                      |
| Share premium . . . . .                        | 36,647                  | 36,647                  |
| Other reserves . . . . .                       | (15,100)                | (27,149)                |
| Retained earnings . . . . .                    | <u>(1,105,066)</u>      | <u>(904,668)</u>        |
| Equity attributable to equity holder . . . . . | <u>(1,083,499)</u>      | <u>(895,150)</u>        |

Other reserves represents the cash flow hedge reserve, which is a legal reserve.

#### 6. Interest-bearing loans from related parties

Interest-bearing loans from related parties consists of three loans from Even Investments 2 Sàrl:

- A loan for an amount of €190.5 million (2009: €167.0 million), subject to 14.125% interest;
- A loan for an amount of €1,874.7 million (2009: €1,703.0 million), subject to 10.08% interest;
- A loan for an amount of €0.1 million (2009: €0.1 million) which is not subject to interest.

All loans stated above are subordinated and repayable in full at the end of 2015. Any unpaid interest is added to the loan and is also repayable at the end of 2015. During the year 2010 interest expense on these loans amounts to €195.2 million (2009: €176.6 million).

#### 7. Other current liabilities

The Company has the following intercompany balances with group companies, included in other current liabilities:

| <u>Amounts in thousands of €</u>                            | <u>2010</u> | <u>2009</u> |
|---|-------------|-------------|
| Amsterdamse Beheer-en Consultingmaatschappij B.V. . . . . . | 510         | —           |
| Balance at 31 December . . . . .                            | <u>510</u>  | <u>—</u>    |

#### 8. 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

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

## Remuneration

For the remuneration of the Board members reference is made to Note 21 in the consolidated financial statements.

## 9. Subsequent events

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

## 10. Auditor fees

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

| <u>Amounts in thousands of €</u> | <u>2010</u> | <u>2009</u> |
|----------------------------------|-------------|-------------|
| Audit fees . . . . .             | 300         | 300         |
| Audit related fees . . . . .     | 175         | 125         |
| Other non-audit fees . . . . .   | 200         | 206         |
| Total . . . . .                  | <u>675</u>  | <u>631</u>  |

### **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 2010, which is a loss of €200,398 has been added to retained earnings.

## INDEPENDENT AUDITOR'S REPORT

To: the Shareholders of Zesko B.V.

### **Report on the financial statements**

We have audited the accompanying financial statements 2010 of Zesko B.V., Amsterdam. The financial statements include the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated statements of comprehensive income, the consolidated balance sheet as at 31 December 2010, changes in equity and cash flows for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information. The company financial statements comprise the company balance sheet as at 31 December 2010 the company profit and loss account for the year then ended 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 Zesko B.V. as at 31 December 2010 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 company financial statements*

In our opinion, the company financial statements give a true and fair view of the financial position of Zesko B.V. as at 31 December 2010 and of 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, 15 April 2011

Ernst & Young Accountants LLP

Signed by F.J. Blenderman



**Section C**

**Zesko B.V.**

**Audited Consolidated Financial Statements  
for the Year Ended December 31, 2009**

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## **DIRECTORS' REPORT**

Under the provision of article 2:394 of the Civil Code in the Netherlands, the managing directors' report is not included in these financial statements. Such report is available for review at the Company's office.

## GENERAL INFORMATION

### **Directors**

B.E. Dijkhuizen  
B. Groenewegen  
M.J. Nijhof

### **Registered Office**

Winschotendiep 60  
9723 AB GRONINGEN  
The Netherlands

### **Correspondence address**

Postbus 9501  
9703 LM GRONINGEN  
The Netherlands

**CONSOLIDATED FINANCIAL STATEMENTS 2009**  
**CONSOLIDATED INCOME STATEMENT**  
**For the years ended 31 December**

| <u>Amounts in thousands of €</u>                                | <u>Note</u> | <u>2009</u>      | <u>2008</u>      |
|---|-------------|------------------|------------------|
| Total Revenues . . . . .  |             | 1,284,396        | 1,238,613        |
| Cost of goods sold . . . . .                                    |             | 255,481          | 236,112          |
| Personnel . . . . .   | 5           | 175,868          | 156,447          |
| Contracted work . . . . .                                       |             | 80,980           | 57,933           |
| Materials & logistics . . . . .                                 |             | 11,166           | 10,999           |
| Marketing & sales . . . . .                                     |             | 36,944           | 46,674           |
| Office expense . . . . .  |             | 64,405           | 76,192           |
| Other operating expenses . . . . .                              |             | 10,878           | 27,810           |
| Depreciation . . . . .  |             | 261,752          | 252,099          |
| Amortisation . . . . .  |             | 215,488          | 212,450          |
| Total operating expenses . . . . .                              |             | <u>1,112,962</u> | <u>1,076,716</u> |
| Operating income . . . . .                                      |             | 171,434          | 161,897          |
| Net financial income (expense) . . . . .                        | 4           | <u>(489,655)</u> | <u>(622,129)</u> |
| Loss before income taxes . . . . .                              |             | (318,221)        | (460,232)        |
| Income tax benefit (expense) . . . . .                          | 6           | <u>81,146</u>    | <u>117,359</u>   |
| Net loss for the year . . . . .                                 |             | <u>(237,075)</u> | <u>(342,873)</u> |
| Net loss attributable to equity holders of the parent . . . . . |             | (237,075)        | (342,873)        |

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

## CONSOLIDATED STATEMENT OF COMPREHENSIVE INCOME

For the years ended 31 December

| <u>Amounts in thousands of €</u>  | <u>2009</u>      | <u>2008</u>      |
|---|------------------|------------------|
| Net loss for the year . . . . .   | (237,075)        | (342,873)        |
| Cash flow hedges, net of tax . . . . .  | (27,149)         | —                |
| Total comprehensive income for the year . . . . .                             | <u>(264,224)</u> | <u>(342,873)</u> |
| Total comprehensive income attributable to equity holders of the parent . . . | (264,224)        | (342,873)        |

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



## CONSOLIDATED BALANCE SHEET

As at 31 December, before appropriation of current year result

| Amounts in thousands of €                       | Note | 2009                    | 2008                    |
|---|------|-------------------------|-------------------------|
| <b>ASSETS</b>                                   |      |                         |                         |
| Property and equipment . . . . .                | 7    | 1,549,664               | 1,646,419               |
| Intangible assets . . . . .                     | 8    | 3,593,060               | 3,718,436               |
| Other financial assets . . . . .                | 9    | 368                     | 899                     |
| Deferred income tax asset . . . . .             | 6    | 276,378                 | 222,143                 |
| Total non-current assets . . . . .              |      | <u>5,419,470</u>        | <u>5,587,897</u>        |
| Inventories . . . . .                           | 10   | 25,542                  | 13,978                  |
| Trade accounts receivable . . . . .             | 11   | 43,592                  | 48,719                  |
| Other current assets . . . . .                  | 12   | 27,185                  | 30,102                  |
| Cash and cash equivalents . . . . .             | 13   | 65,297                  | 42,644                  |
| Total current assets . . . . .                  |      | <u>161,616</u>          | <u>135,443</u>          |
| <b>TOTAL ASSETS . . . . .</b>                   |      | <b><u>5,581,086</u></b> | <b><u>5,723,340</u></b> |
| <b>EQUITY AND LIABILITIES</b>                   |      |                         |                         |
| Issued share capital . . . . .                  |      | 20                      | 20                      |
| Share premium . . . . .                         |      | 36,647                  | 36,647                  |
| Other reserves . . . . .                        |      | (27,149)                | —                       |
| Retained earnings . . . . .                     |      | (662,850)               | (319,977)               |
| Net income (loss) for the period . . . . .      |      | (237,075)               | (342,873)               |
| Equity attributable to equity holders . . . . . |      | <u>(890,407)</u>        | <u>(626,183)</u>        |
| Loans from financial institutions . . . . .     | 15   | 3,712,042               | 3,801,283               |
| Loans payable to related parties . . . . .      | 16   | 1,869,979               | 1,693,370               |
| Derivative financial instruments . . . . .      | 22   | 102,261                 | 73,935                  |
| Provisions . . . . .                            | 17   | —                       | 5,093                   |
| Deferred income tax liability . . . . .         | 6    | 447,527                 | 483,731                 |
| Total non-current liabilities . . . . .         |      | <u>6,131,809</u>        | <u>6,057,412</u>        |
| Trade accounts payable . . . . .                |      | 102,951                 | 60,242                  |
| Deferred revenue . . . . .                      |      | 106,247                 | 97,407                  |
| Other current liabilities . . . . .             | 18   | 130,486                 | 134,462                 |
| Total current liabilities . . . . .             |      | <u>339,684</u>          | <u>292,111</u>          |
| <b>TOTAL EQUITY AND LIABILITIES . . . . .</b>   |      | <b><u>5,581,086</u></b> | <b><u>5,723,340</u></b> |

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

## CONSOLIDATED STATEMENT OF CHANGES IN EQUITY

| Amounts in thousands of €            | Issued<br>capital | Share<br>premium | Cash flow<br>hedge<br>reserve | Retained<br>earnings | Net income<br>(loss) | Total equity |
|--------------------------------------|-------------------|------------------|-------------------------------|----------------------|----------------------|--------------|
| Balance at 31 December 2007 . . .    | 20                | 36,647           |                               | (65,494)             | (254,483)            | (283,310)    |
| <i>Comprehensive income</i>          |                   |                  |                               |                      |                      |              |
| Net loss for the year 2008 . . . . . | —                 | —                | —                             | —                    | (342,873)            | (342,873)    |
| Total comprehensive income . . . .   | —                 | —                | —                             | —                    | (342,873)            | (342,873)    |
| <i>Transactions with owners</i>      |                   |                  |                               |                      |                      |              |
| Appropriation of net loss 2007 . .   | —                 | —                | —                             | (254,483)            | 254,483              | —            |
| Total transactions with owners . . . | —                 | —                | —                             | (254,483)            | 254,483              | —            |
| Balance at 31 December 2008 . . .    | 20                | 36,647           | —                             | (319,977)            | (342,873)            | (626,183)    |
| <i>Comprehensive income</i>          |                   |                  |                               |                      |                      |              |
| Net loss for the year 2009 . . . . . | —                 | —                | —                             | —                    | (237,075)            | (237,075)    |
| <i>Other comprehensive income</i>    |                   |                  |                               |                      |                      |              |
| Cash flow hedges, net of tax . . . . | —                 | —                | (27,149)                      | —                    | —                    | (27,149)     |
| Total comprehensive income . . . .   | —                 | —                | (27,149)                      | —                    | (237,075)            | (264,224)    |
| <i>Transactions with owners</i>      |                   |                  |                               |                      |                      |              |
| Appropriation of net loss 2008 . .   | —                 | —                | —                             | (342,873)            | 342,873              | —            |
| Total transactions with owners . . . | —                 | —                | —                             | (342,873)            | 342,873              | —            |
| Balance at 31 December 2009 . . .    | 20                | 36,647           | (27,149)                      | (662,850)            | (237,075)            | (890,407)    |

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

## CONSOLIDATED CASH FLOW STATEMENT

| <u>Amounts in thousands of €</u>                                      | <u>Note</u> | <u>2009</u>             | <u>2008</u>             |
|---|-------------|-------------------------|-------------------------|
| <b>Operating activities</b>   |             |                         |                         |
| Operating income . . . . .  |             | 171,434                 | 161,897                 |
| <b>Adjustments to reconcile operating profit to net cash flow</b>     |             |                         |                         |
| <b>Non Cash</b>   |             |                         |                         |
| Amortisation . . . . .  |             | 261,752                 | 252,099                 |
| Depreciation . . . . .  |             | 215,488                 | 212,450                 |
| Movement in provisions . . . . .                                      | 17          | 4,593                   | (10,607)                |
| Gain on disposal of non current assets . . . . .                      |             | —                       | (917)                   |
| <b>Working Capital adjustments</b>                                    |             |                         |                         |
| (Increase)/Decrease in Current assets . . . . .                       |             | (3,520)                 | (35,393)                |
| Increase/(Decrease) in Current liabilities . . . . .                  |             | 37,887                  | 24,300                  |
| Change in Working Capital . . . . .                                   |             | 34,367                  | (11,093)                |
| <b>Net cash flow from operating activities . . . . .</b>              |             | <b><u>687,634</u></b>   | <b><u>603,829</u></b>   |
| <b>Investing activities</b>   |             |                         |                         |
| Proceeds from divestments . . . . .                                   |             | —                       | 1,892                   |
| Interest received . . . . .   |             | 1,002                   | 3,522                   |
| Purchase of property, plant and equipment . . . . .                   | 7           | (178,602)               | (249,291)               |
| Purchase of intangible assets . . . . .                               | 8           | (76,507)                | (33,653)                |
| Change in financial assets . . . . .                                  | 9           | 531                     | (563)                   |
| <b>Net cash flow used in investing activities . . . . .</b>           |             | <b><u>(253,576)</u></b> | <b><u>(278,093)</u></b> |
| <b>Financing activities</b>   |             |                         |                         |
| Interest paid . . . . .   |             | (250,980)               | (272,370)               |
| Repayment loans . . . . .   | 15          | (160,000)               | (128,900)               |
| Repayment of financial lease liabilities . . . . .                    |             | (425)                   | (431)                   |
| Repayment of related parties liabilities . . . . .                    |             | —                       | —                       |
| <b>Net cash flow from financing activities . . . . .</b>              |             | <b><u>(411,405)</u></b> | <b><u>(401,701)</u></b> |
| <b>Net (decrease)/increase in cash and cash equivalents . . . . .</b> |             | <b><u>22,653</u></b>    | <b><u>(75,965)</u></b>  |
| Net cash and cash equivalents at 1 January . . . . .                  |             | 42,644                  | 118,609                 |
| <b>Net cash and cash equivalents at 31 December . . . . .</b>         |             | <b>65,297</b>           | <b>42,644</b>           |
| <b>Net cash and cash equivalents consist of:</b>                      |             |                         |                         |
| Cash and cash equivalents . . . . .                                   |             | 65,297                  | 42,644                  |
| <b>Cash and cash equivalents at 31 December . . . . .</b>             | 13          | <b>65,297</b>           | <b>42,644</b>           |

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

## NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

### 1. General

#### Corporate information

The consolidated financial statements of Zesko BV (“the Company”) for the year ended 31 December 2009 were authorised for issue in accordance with a resolution of the directors on 26 March 2010. The Company is a private limited company incorporated having its corporate seat in Amsterdam (Address: 9723 AB Groningen, Winschotendiep 60), The Netherlands. The Company is wholly owned by Zesko Holding B.V. whose ultimate shareholders are the private equity companies Cinven Limited and Warburg Pincus LLC.

The principal activities of the Company are to participate in, to finance or to have any other interest in, or to conduct the management of, other companies and enterprises. The Company is the owner and operator of a broadband cable network in The Netherlands. The main subsidiary Ziggo B.V. offers analogue and digital radio and television, broadband internet and telephony services in The Netherlands to 3.2 million households.

The consolidated financial statements of the Company include the subsidiaries mentioned in Note 23.

In accordance with section 2:402, of The Netherlands Civil Code, a simplified income statement of Zesko is included in the Company financial statements.

#### Basis of preparation

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

#### 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.

#### Basis of consolidation

The consolidated financial statements comprise the financial statements of the Company and its subsidiaries as at 31 December. The financial statements of the subsidiaries are prepared for the same reporting year as the parent company, using consistent accounting policies.

All intra-group balances, transactions, income and expenses and unrealised gains and losses resulting from intra-group transactions are eliminated in full.

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.

#### Going Concern

The consolidated financial statements have been prepared by management on a going concern basis, which contemplates the realization of assets and the discharge of liabilities in the normal course of business for the foreseeable future. Accordingly, the financial statements do not include any adjustments to recorded asset values that might be necessary should the Company be unable to continue as a going concern. Total shareholder’s equity is €890,407 negative and it is expected that the Company will incur losses in the foreseeable future mainly due to high depreciation and amortisation amounts and interest expense in relation to the credit facility agreements.

The Company is however expected to be able to generate sufficient cash flows (after financing costs) in the coming years and most of the loans are repayable in 2014 at the earliest with no early repayments other than an excess cash clause, which makes a going concern approach valid.

## 2. Accounting policies

### 2.1 Changes in accounting policies, disclosures and reclassifications

The accounting policies adopted are consistent with those of the previous financial year except as follows:

#### *IFRS 7 Financial Instruments—Disclosures*

The amended IFRS 7 ‘Financial instruments—Disclosures’ requires enhanced disclosures about fair value measurement and liquidity risk. In particular, the amendment requires disclosure of fair value measurements by level of a fair value measurement hierarchy. As the change in accounting policy only results in additional disclosures, there is no impact on the group or company’s financial statements.

#### *IAS 1 Presentation of Financial Statements*

As of 2009, Ziggo applies the revised IAS 1 “Presentation of Financial Statements”. The revised standard introduces requirements to present all changes in equity arising from transactions with owners in their capacity as owners separately from non-owner changes in equity and to disclose (i) income tax related to each component of other comprehensive income and (ii) reclassification adjustments relating to components of other comprehensive income. In addition, when an entity applies an accounting policy retrospectively or makes a retrospective restatement or reclassification of items in its financial statements, IAS 1 requires the presentation of a third balance sheet as of the beginning of the earliest comparative period. The adoption of the revised IAS 1 did not have an impact on the Company’s financial results or position.

#### *IAS 23 Borrowing Costs*

The revision of IAS 23 ‘Borrowing Costs’ requires capitalisation of borrowing costs that are directly attributable to the acquisition, construction or production of a qualifying assets. Since Zesko already capitalised borrowing costs the adoption did not have an impact on the Company’s financial results or position.

#### *IAS 39 Financial Instruments—application of hedge accounting*

The Company started to apply hedge accounting in 2009, whereas previously all fair value changes were directly recognised in the income statement within ‘other net financial income and expense’. Hedge accounting modifies the usual accounting treatment of a hedging instrument and/or a hedged item to enable gains and losses on the hedging instrument to be recognised in the income statement in the same period as offsetting losses and gains on the hedged item. In order to apply hedge accounting Management must identify, document and test the effectiveness of those transactions for which it wishes to use hedge accounting. As a consequence the change in accounting is applied prospectively by recognising the effect of the change as of 2009 instead of the policy had always been applied. For 2009 an amount of €36,441 negative (€27,149 net of tax) has been recognised within other comprehensive income, whereas previously this would have been recognised within ‘other net financial income and expense’.

#### *IFRIC 13 Customer Loyalty Programmes*

This interpretation requires customer loyalty credits to be accounted for as a separate component of the sales transaction in which they are granted. A portion of the fair value of the consideration received is allocated to the award credits and deferred. This is then recognised as revenue over the period that the award credits are redeemed. Since the Company does not have a customer loyalty program the interpretation has no impact on its financial position.

#### *Improvements to IFRSs 2008*

In May 2008 the IASB issued omnibus of amendments to its standards, primarily with a view to removing inconsistencies and clarifying wording. There are separate transitional provisions for each standard. The adoption of the amendments resulted in changes to accounting policies but did not have any impact on the financial results or position of the Company.

Other newly effective IFRS’s and IFRIC interpretations did not have an impact on the financial statements of the Company.

The Company made the following reclassifications of the comparative 2008 financial position and result:

- Cost of goods sold was increased by €35.3 million and materials and logistics reduced by the same amount to present set top boxes delivered to customers and materials used to connect customers as components of cost of goods sold;
- The amortisation of funding cost of €17.3 million (see Note 15) is now included within net financial income and expense, whereas previously this was presented within depreciation and amortisation;
- Deferred tax assets were increased by €18.9 million and deferred tax liabilities were increased by the same amount since the deferred tax on the interest rate swap became an asset during 2008. The company did provide for an additional statement of financial position as at the beginning of 2008, since this information is already presented in Note 6 income tax.

## **2.2 Summary of significant accounting policies**

The significant accounting policies applied in the preparation of these consolidated financial statements are set out below. These policies have been consistently applied through all years presented, unless otherwise stated.

### **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 spot rate of exchange ruling at the balance sheet date. Exchange differences arising on the settlement of monetary items and on the translation of monetary items, are included in net income for the period. Non-monetary items that are measured in terms of historical cost in a foreign currency are translated using the exchange rates as at the dates of the initial transactions.

### **Offsetting of financial assets and liabilities**

Financial assets and liabilities are offset and reported at the net amount in the consolidated balance sheet if, and only if, Zesko has a legally enforceable right to set off the recognised amounts, and there is an intention to settle on a net basis, or to realise the asset and settle the liability simultaneously.

### **Business combinations and goodwill**

Business combinations are accounted for using the acquisition accounting method. This involves recognising identifiable assets (including previously unrecognised intangible assets) and liabilities (including contingent liabilities and excluding future restructuring) of the acquired business at fair value.

Goodwill acquired in a business combination is initially measured at cost, being the excess of the cost of the business combination over the Company’s interest in the net fair value of the acquiree’s identifiable assets, liabilities and contingent liabilities. Following initial recognition, goodwill is measured at cost less any accumulated impairment losses. For the purpose of impairment testing, goodwill acquired in a business combination is, from the acquisition date, allocated to each of the Company’s cash generating units, that are expected to benefit from the synergies of the combination, irrespective of whether other assets or liabilities of the Company are assigned to those units or groups of units. Each unit or group of units to which the goodwill is allocated represents the lowest level within the Company at which the goodwill is monitored for internal management purposes.

Where goodwill forms part of a cash-generating unit (or group of cash-generating units) and part of the operation within that unit is disposed of, the goodwill associated with the operation disposed of is included in the carrying amount of the operation when determining the gain or loss on disposal of the operation. Goodwill disposed of in this circumstance is measured based on the relative values of the operation disposed of and the portion of the cash-generating unit retained.

When subsidiaries are sold, the difference between the selling price and the net assets plus cumulative translation differences and unamortised goodwill is recognised in the income statement.



## **Property and Equipment**

Property and equipment is stated at cost less accumulated depreciation and accumulated impairment, if any. The cost include direct costs (materials, replacing parts, direct labour and contracted work) and direct attributable overhead costs. Borrowing cost directly attributable to the acquisition, construction or production of an asset that necessarily takes a substantial period of time to get ready for its intended use 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 expense of the Company.

Depreciation is calculated on a straight-line basis over the estimated useful life of the asset, taking into account residual value. Borrowing cost are depreciated over the estimated useful life of the corresponding asset. Land is not depreciated.

An item of property and equipment is de-recognised upon disposal or when no future economic benefits are expected from its use or disposal. Any gain or loss arising from de-recognition of the asset (calculated as the difference between the net disposal proceeds and the carrying amount of the asset) is included in the income statement in the year the asset is de-recognised.

The asset's residual values, useful lives and methods of depreciation are reviewed and adjusted if appropriate at each financial year end. Any change in accounting caused by this review is applied prospectively.

Repairs and maintenance are charged to expense during the financial period in which they incur.

## **Intangible assets**

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

Intangible assets with finite lives are amortised over the useful economic life and assessed for impairment whenever there is an indication that the intangible asset may be impaired. The amortisation period and the amortisation method for an intangible asset with a finite useful life is reviewed at least at each financial year end. Changes in the expected useful life or the expected pattern of consumption of future economic benefits embodied in the asset is accounted for by changing 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 annually. The assessment of indefinite life is reviewed annually to determine whether the indefinite life of the asset remains indefinite. If not, the change in useful life from indefinite to finite is made on a prospective basis.

Gains or losses arising from derecognition of an intangible asset are measured as the difference between the net disposal proceeds and the carrying amount of the assets and are recognised in the income statement when the asset is derecognised.

## **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 to the Company substantially all the risks and benefits incidental to ownership of the leased item, 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 charged directly against income.

Capitalised leased assets are depreciated over the shorter of the estimated useful life of the asset and 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 as an expense in the income statement on a straight-line basis over the lease term.

### **Impairment of non-financial assets**

The Company assesses at each reporting date whether there is an indication that an 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 to sell 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 to sell, an appropriate valuation model is used.

Impairment losses of continuing operations recognised in the income statement will be recorded in a separate line-item in those 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 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, had no impairment loss been recognised for the asset in prior years. Such reversal is recognised in the income statement. Impairment losses recognised in relation to goodwill are not reversed for subsequent increases in its recoverable amount.

Goodwill is reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that the carrying value 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 units 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 (or group of cash-generating units) is less than the carrying amount of the cash-generating unit (or group of cash-generating units) to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods. The Company performs its annual impairment test of goodwill as at 31 December.

### **Investments in associates**

The Company uses the equity method of accounting for investment in associates. An associate is an entity in which the Company has significant influence and which is neither a subsidiary nor a joint venture.

After application of the equity method, the Company determines whether it is necessary to recognise an additional impairment loss of the Company's investment in its associates. Zesko determines at each balance sheet date whether there is any objective evidence that the investment in the associate is impaired. If this is the case, the Company calculates the amount of impairment as being the difference between the fair value of the associate and the net equity value and recognises the amount in the income statement.

### **Inventories**

Inventories are valued at cost or net realisable value, whichever is the lower. Cost consist of all costs of purchase, cost of conversion and other costs incurred in bringing the inventories to their present location and condition. Net realizable 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 used. Sold inventory is included in the cost of goods sold.

### **Trade accounts receivable and other current assets**

Trade accounts receivable and other current assets are initially accounted for at fair value with subsequent valuation at amortized cost, less impairment. An impairment is recorded in operating expenses when it is probable (based on objective evidence) that the Company will not be able to collect all amounts due under the original terms of the invoice. Impairments are calculated on an individual basis and on a portfolio basis for groups of receivables that are not individually identified as impaired. Impaired receivables are de-recognised when they are assessed as uncollectible.

### **Cash and Cash Equivalents**

Cash and short-term deposits in the balance sheet comprise cash at banks and in hand and short-term deposits with an original maturity of three months or less. Bank overdrafts are repayable on demand and form an integral part of the Company's cash management. For the purpose of the consolidated cash flow statement, bank overdrafts are included as a component of cash and cash equivalents.

All highly liquid investments purchased with an original maturity of three months or less are considered cash equivalents.

### **Interest bearing loans and borrowings**

All loans and borrowings are initially recognised at the fair value of the consideration received less directly attributable transaction costs.

After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost. Transaction costs are deducted from the nominal amount of the loan and amortised over the lifetime of the corresponding loans. This amortisation is included in the income statement in 'Net financial income and expense'. Gains and losses are recognised in the income statement when the liabilities are de-recognised as well as through the amortisation process.

Any non-cash interest element is added to the loan and will be repaid upon maturity.

### **Derecognition of financial assets and financial liabilities**

#### *Financial assets*

A financial asset (or, where applicable a part of a financial asset or part of a group of similar financial assets) is derecognised when:

- the rights to receive cash flows from the asset have expired;
- the Company retains the right to receive cash flows from the asset, but has assumed an obligation to pay them in full without material delay to a third party under a 'pass through' arrangement; or
- the Company has transferred its rights to receive cash flows from the asset and either (a) has transferred substantially all the risks and rewards of the asset, or (b) has neither transferred nor retained substantially all the risks and rewards of the asset, but has transferred control of the asset.

Where the Company has transferred its rights to receive cash flows from an asset and has neither transferred nor retained substantially all the risks and rewards of the asset nor transferred control of the asset, the asset is recognised to the extent of the Company's continuing involvement in the asset. Continuing involvement that takes the form of a guarantee over the transferred asset is measured at the lower of the original carrying amount of the asset and the maximum amount of consideration that the Company could be required to repay.

Where continuing involvement takes the form of a written and/or purchased option (including a cash settled option or similar provision) on the transferred asset, the extent of the Company's continuing involvement is the amount of the transferred asset that the Company may repurchase, except that in the case of a written put option (including a cash settled option or similar provision) on an asset measured at fair value, the extent of the Company's continuing involvement is limited to the lower of the fair value of the transferred asset and the option exercise price.

#### *Financial liabilities*

A financial liability is derecognised when the obligation under the liability is discharged or 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 de-recognition of the original liability and the recognition of a new liability, and the difference in the respective carrying amounts is recognised in the income statement.

### **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 the reimbursement is virtually certain. The expense relating to any provision is presented in the income statement 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.

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 finance cost.

### **Pensions and other post employment benefits**

The defined benefits plans of the Company relates to multi-employer defined benefit plans with publicly or privately administered pension insurance organisations (so called 'bedrijfstak-pensioenfondsen'). These pension insurance organisations are not able to provide the Company with sufficient information in order to account for the plans as defined benefit. As a result the defined benefit pension plans are treated as if they are defined contribution plans.

The Company has no obligations for deficits other than higher future pension-insurance payments.

The Company pays contributions on a mandatory, contractual or voluntary basis. The Company has no further payment obligations once the contributions have been paid. The contributions are recognised as employee benefit expenses in the income statement when they are due.

### **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 sale of goods is recognised when the significant risks and rewards of ownership of the goods have passed to the buyer, usually on delivery of the goods. Revenue is measured at the fair value of the consideration received, excluding discounts, rebates and sales taxes or duty.

*Rendered services* Revenue primarily comprise revenues earned from subscription fees and to a lesser extent charges for programming. Subscription 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 a deferred revenue within current liabilities.

*Other revenues* Other revenues comprise one-off connection fees, other initial fees and sale of goods (set-top boxes).

### **Cost of Goods Sold**

Cost of goods sold include the costs for purchases of materials and services directly related to revenue, such as author rights, interconnection costs, signal delivery costs, royalties and internet service provider fees.

### **Income Tax**

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

Deferred income tax 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 forward 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 utilized 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 balance sheet 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 balance sheet 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 balance sheet 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.

#### **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 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 balance sheet date, taking into account current interest rates and creditworthiness of the swap counter parties.

The method of recognising the resulting gain or loss depends on whether the derivative is designated as a hedging instrument, and if so, the nature of the item being hedged.

The Company documents at the inception of the transaction the relationship between hedging instruments and hedged items, as well as its risk management objectives and strategy for undertaking various hedging transactions. The Company also documents its assessment, both at hedge inception and on an ongoing basis, of whether the derivatives that are used in hedging transactions are highly effective in offsetting changes in fair values or cash flows of hedged items.

The fair values of various derivative instruments used for hedging purposes are disclosed in note 22. Movements on the hedging reserve in shareholders' equity are shown in the consolidated statement of changes in equity. The full fair value of a hedging derivative is classified as a non-current asset or liability when the remaining hedged item is more than 12 months, and as a current asset or liability when the remaining maturity of the hedged item is less than 12 months. Trading derivatives are classified as a current asset or liability.

##### **(a) Fair value hedge**

Changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the income statement, together with any changes in the fair value of the hedged asset or liability that are attributable to the hedged risk. If the hedge no longer meets the criteria for hedge accounting, the adjustment to the carrying amount of a hedged item is amortised to profit or loss over the period to maturity.

## (b) Cash flow hedges

The effective portion of changes in the fair value of derivatives that are designated and qualify as cash flow hedges is recognised in other comprehensive income. The gain or loss relating to the ineffective portion is recognised immediately in the income statement within 'other net financial income and expense'.

Amounts accumulated in equity are reclassified to profit or loss in the periods when the hedged item affects profit or loss. The gain or loss relating to the effective portion of interest rate swaps hedging variable rate borrowings is recognised in the income statement within 'interest expense'. The gain or loss relating to the ineffective portion is recognised in the income statement within 'other net financial income and expense'.

When a hedging instrument expires or is sold, or when a hedge no longer meets the criteria for hedge accounting, any cumulative gain or loss existing in equity at that time remains in equity and is recognised when the forecast transaction is ultimately recognised in the income statement. When a forecast transaction is no longer expected to occur, the cumulative gain or loss that was reported in equity is immediately transferred to the income statement within 'other net financial income and expense'.

Depending on their value, derivatives are either presented as an Other financial asset or as Derivative financial instruments within liabilities.

### **Cash Flow statement**

The cash flow statement is prepared using the indirect method with a breakdown into cash flows from operating, investing and financing activities. Cash flows relating to interest and taxes on profits are included in the cash flow from operating activities.

The cash balances of purchased subsidiaries (cash acquired) are included in the consideration paid on acquisition (investing activities).

### **2.3 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, 2009, and have not been applied in preparing these consolidated financial statements:

- IFRS 2 Share-based Payment (amendment)
- IFRS 3 Business Combinations (revised)
- IFRS 5 Non-current Assets Held for Sale and Discontinued Operations (amendment)
- IFRS 9 Financial Instruments (new)
- IAS 24 Related Party Disclosures (revised)
- IAS 27 Consolidated and Separate Financial Statements (revised)
- IAS 32 Financial Instruments (revised)
- IAS 38 Intangible Assets (amendment)
- IAS 39 Financial instruments: Recognition and Measurement (amendment)
- IFRIC 9 Reassessment of Embedded Derivatives (amendment)
- IFRIC 14 IAS 19—Limit on a Defined Benefit Asset, Minimum Funding Requirements and their Interaction (amendment)
- IFRIC 17 Distribution of Non-cash Assets to Owners (new)
- IFRIC 18 Transfers of Assets from Customers (new)
- IFRIC 19 Extinguishing Financial Liabilities with Equity Instruments (new)
- Improvements to IFRSs 2009

The Company will introduce the new standards, amendments to standards and interpretations on or after January 1, 2010. Adoption of these standards and interpretations is expected to have a limited impact on the consolidated financial statements of Zesko B.V.



### **3. Significant accounting judgements and estimates**

#### **Use of estimates**

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, assumptions and judgments that management considers most critical relate to:

#### ***Purchase Price Allocation***

Zesko and its subsidiaries 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 future cash flows and operating results of the Company.

#### ***Impairment of Goodwill***

The Company determines whether goodwill is 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 recognised for all unused tax losses to the extent that it is probable that taxable profit will be available against which the losses can be utilised. Significant management judgement is required to determine the amount of deferred tax assets that can be recognised, 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 and financial liabilities recorded in the statement of financial position cannot be derived from active markets, they are determined using valuation techniques including 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 inputs such as liquidity risk, credit risk and volatility. Changes in assumptions about these factors could affect the reported fair value of financial instruments.

#### 4. Net financial income and expense

|   | <u>2009</u>             | <u>2008</u>             |
|---|-------------------------|-------------------------|
| <b>Interest expense</b>   |                         |                         |
| Loans and overdrafts financial institutions . . . . .                   | (299,023)               | (323,955)               |
| Loans related parties . . . . .   | (176,609)               | (159,772)               |
| Other interest expense . . . . .  | (2,215)                 | —                       |
|   | <u>(477,847)</u>        | <u>(483,727)</u>        |
| <b>Interest income</b> . . . . .  | 1,002                   | 7,255                   |
| <b>Other net financial income and expense</b>                           |                         |                         |
| Amortisation funding cost . . . . .                                     | (17,348)                | (17,349)                |
| Fair value gains (losses) on derivative financial instruments . . . . . | 8,115                   | (124,575)               |
| Commitment fees . . . . .   | (3,577)                 | (3,733)                 |
|   | <u>(12,810)</u>         | <u>(145,657)</u>        |
| <b>Net financial income (expense)</b> . . . . .                         | <u><b>(489,655)</b></u> | <u><b>(622,129)</b></u> |

Interest expense relates primarily to financial liabilities measured at amortized cost. Other interest income is mainly attributable to the interest on cash and cash equivalents.

Foreign exchange results arising from the purchase of goods for sale or goods and services consumed in the Company's operations are included in cost of sales or in the appropriate element of operating expenses.

#### 5. Employee benefits expense

|  | <u>2009</u>    | <u>2008</u>    |
|--|----------------|----------------|
| <b>Total employee benefits expenses</b>                |                |                |
| Wages and salaries . . . . .                           | 109,180        | 89,510         |
| Social security costs . . . . .                        | 13,420         | 10,249         |
| Pension costs . . . . .                                | 11,976         | 10,427         |
| Post-employment benefits other than pensions . . . . . | —              | 146            |
| Other . . . . .  | 41,292         | 46,115         |
|  | <u>175,868</u> | <u>156,447</u> |

Other employee benefits comprise of temporary external personnel for €71.6 million (2008: €48.2 million), other personnel expenses €22.1 million (2008: €12.4 million), less capitalised personnel expenses of €52.4 million (2008: €14.5 million).

The number of employees as per 31 December 2009 of the Company in full time equivalents was 2,257 (2008: 1,916).

#### 6. Income taxes

The subsidiaries of the Company are incorporated in the fiscal unity of Zesko B.V. For financial reporting purposes, its consolidated subsidiaries calculate their respective tax assets, tax liabilities and tax benefits on a consolidated tax return basis.

|                                    | <u>2009</u>   | <u>2008</u>    |
|------------------------------------|---------------|----------------|
| <b>Deferred income tax expense</b> |               |                |
| Deferred tax asset . . . . .       | 44,943        | 75,776         |
| Deferred tax liability . . . . .   | 36,204        | 41,583         |
|                                    | <u>81,147</u> | <u>117,359</u> |

A reconciliation between the statutory tax rates of 25,5% and the Company's effective tax rate is as follows:

|  | 2009   |           | 2008   |           |
|--|--------|-----------|--------|-----------|
| Loss for the period . . . . .                    |        | (318,222) |        | (460,232) |
| Computed income tax at statutory rates . . . . . | 25.50% | 81,147    | 25.50% | 117,359   |
| Income tax benefit . . . . .                     | 25.50% | 81,147    | 25.50% | 117,359   |

**Income tax recognised in other comprehensive income**

|                        | 2009            |                       |                 | 2008       |                       |            |
|------------------------|-----------------|-----------------------|-----------------|------------|-----------------------|------------|
|                        | Before tax      | Tax (expense)/benefit | Net of tax      | Before tax | Tax (expense)/benefit | Net of tax |
| Cash flow hedges . . . | (36,441)        | 9,292                 | (27,149)        | —          | —                     | —          |
|                        | <u>(36,441)</u> | <u>9,292</u>          | <u>(27,149)</u> | <u>—</u>   | <u>—</u>              | <u>—</u>   |

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities as of 31 December 2009 and 2008 are presented below:

**Recognised deferred tax assets and liabilities and movements during the year**

|  | 1 January 2008   | Recognised in profit or loss | 31 December 2008 | Recognised in profit or loss | Recognised in other comprehensive income | 31 December 2009 |
|--|------------------|------------------------------|------------------|------------------------------|--|------------------|
| Tax loss carry forwards . . . . .            | 159,280          | 44,009                       | 203,289          | 47,012                       | —  | 250,301          |
| Derivative financial instruments . . . . .   | (12,913)         | 31,767                       | 18,854           | (2,069)                      | 9,292                                    | 26,077           |
| Deferred tax asset . . . . .                 | 146,367          | 75,776                       | 222,143          | 44,943                       | 9,292                                    | 276,378          |
| Property and equipment . . . . .             | 10,081           | (5,687)                      | 4,394            | (8,803)                      | —  | (4,409)          |
| Intangible assets . . . . .                  | (535,395)        | 47,270                       | (488,125)        | 45,007                       | —  | (443,118)        |
| Deferred tax liability . . . . .             | (525,314)        | 41,583                       | (483,731)        | 36,204                       | —  | (447,527)        |
| Net deferred tax asset (liability) . . . . . | <u>(378,947)</u> | <u>117,359</u>               | <u>(261,588)</u> | <u>81,147</u>                | <u>9,292</u>                             | <u>(171,149)</u> |

To calculate the deferred tax asset and liability a tax rate of 25.5% is used.

As of 31 December 2009, the fiscal unity Zesko B.V. has cumulative tax loss carry forwards of €1,388.3 million (2008: €1,203.9 million). A deferred tax asset for the loss carry forwards is recognised of €250.3 million (2008: €203.3 million). Based on management's forecasts the Company will show that future profits will compensate these losses carried forward recognised on the balance sheet. Tax planning opportunities are available to realise the tax loss carry forward positions within the nine year carry forward period. Subsequently deferred tax assets have not been recognised for an amount of €103.7 million (2008: €103.7 million) because it is not likely that future taxable profit will be available before the tax losses can be utilised. The related tax loss carry forwards amount to €406.7 million and mature in 2011.

## 7. Property and equipment

The components of property and equipment are as follows:

|   | <u>Network</u>   | <u>Land</u>  | <u>Other</u>   | <u>Assets under construction</u> | <u>Total</u>     |
|---|------------------|--------------|----------------|----------------------------------|------------------|
| <b>At 1 January 2008</b>                            |                  |              |                |                                  |                  |
| Cost . . . . .                                      | 1,730,555        | 1,507        | 61,319         | 165,424                          | 1,958,805        |
| Accumulated depreciation . . . . .                  | (289,092)        | —            | (20,486)       | —                                | (309,578)        |
| Net carrying amount . . . . .                       | <u>1,441,463</u> | <u>1,507</u> | <u>40,833</u>  | <u>165,424</u>                   | <u>1,649,227</u> |
| <b>At year end 2008</b>                             |                  |              |                |                                  |                  |
| Additions . . . . .                                 | 165,673          | 1,141        | 4,746          | 77,731                           | 249,291          |
| Depreciation charge for the year . .                | (245,421)        | —            | (6,678)        | —                                | (252,099)        |
| Total changes 2008 . . . . .                        | <u>(79,748)</u>  | <u>1,141</u> | <u>(1,932)</u> | <u>77,731</u>                    | <u>(2,808)</u>   |
| <b>At 31 December 2008</b>                          |                  |              |                |                                  |                  |
| Cost . . . . .                                      | 1,896,228        | 2,648        | 66,065         | 243,155                          | 2,208,096        |
| Accumulated depreciation . . . . .                  | (534,513)        | —            | (27,164)       | —                                | (561,677)        |
| Net carrying amount . . . . .                       | <u>1,361,715</u> | <u>2,648</u> | <u>38,901</u>  | <u>243,155</u>                   | <u>1,646,419</u> |
| Reclassification—cost . . . . .                     | 2,060,901        |              | 8,149          |                                  | 2,069,050        |
| Reclassification—accumulated depreciation . . . . . | (2,068,332)      |              | (14,323)       |                                  | (2,082,655)      |
| Additions—net . . . . .                             | 172,298          | —            | 18,279         | (11,975)                         | 178,602          |
| Depreciation charge for the year . .                | (251,160)        | —            | (10,592)       | —                                | (261,752)        |
| Total changes 2009 . . . . .                        | <u>(86,293)</u>  | <u>—</u>     | <u>1,513</u>   | <u>(11,975)</u>                  | <u>(96,755)</u>  |
| <b>At 31 December 2009</b>                          |                  |              |                |                                  |                  |
| Cost . . . . .                                      | 4,129,427        | 2,648        | 92,493         | 231,180                          | 4,455,748        |
| Accumulated depreciation . . . . .                  | (2,854,005)      | —            | (52,079)       | —                                | (2,906,084)      |
| Net carrying amount . . . . .                       | <u>1,275,422</u> | <u>2,648</u> | <u>40,414</u>  | <u>231,180</u>                   | <u>1,549,664</u> |

In both 2009 and 2008 the Company did not recognise impairment charges nor did it reverse impairment charges of assets previously impaired.

Assets under construction relates to the integration of the Company's business support system and operational support system and the integration and expansion of the Company's network and IT-infrastructure. Included in assets under construction is software, which is recognised as intangible asset once in use.

The additions to network include capitalised borrowing cost of €3.4 million (2008: €11.2 million). Generally, the capitalisation rate used to determine the amount of capitalised borrowing costs is a weighted average of the interest rate applicable. For 2009 an interest rate applied of 5.89% (2008: 8.86%).

Mortgages on all registered properties, related movable assets and the network related elements have been established under the senior credit facilities and the mezzanine credit facilities as explained in Note 15.

The useful life of the assets is as follows:

|  | <u>Useful lives</u> |
|--|---------------------|
| Network active (headend, local network) . . . . .      | 10–12 years         |
| Network passive (backbone) . . . . .                   | 12–20 years         |
| Network equipment (IP and datacom equipment) . . . . . | 5 years             |
| Other . . . . .  | 3–20 years          |

There are no contractual commitments for the acquisition of any property and equipment.

## 8. Intangible assets

|   | Goodwill                | Customer lists          | Trade names     | Software             | Total                   |
|---|-------------------------|-------------------------|-----------------|----------------------|-------------------------|
| At 1 January, 2008                                  |                         |                         |                 |                      |                         |
| At cost . . . . .                                   | 1,767,068               | 2,296,305               | 34,800          | 74,856               | 4,173,029               |
| Accumulated depreciation . . . . .                  | —                       | (207,606)               | (25,461)        | (42,729)             | (275,796)               |
| Net carrying amount . . . . .                       | <u>1,767,068</u>        | <u>2,088,699</u>        | <u>9,339</u>    | <u>32,127</u>        | <u>3,897,233</u>        |
| Additions . . . . .                                 | —                       | 22,048                  | —               | 11,605               | 33,653                  |
| Amortisation for the year . . . . .                 | —                       | (174,712)               | (9,339)         | (28,399)             | (212,450)               |
| Total changes 2008 . . . . .                        | <u>—</u>                | <u>(152,664)</u>        | <u>(9,339)</u>  | <u>(16,794)</u>      | <u>(178,797)</u>        |
| At 31 December, 2008                                |                         |                         |                 |                      |                         |
| At cost . . . . .                                   | 1,767,068               | 2,318,353               | 34,800          | 86,461               | 4,206,682               |
| Accumulated depreciation . . . . .                  | —                       | (382,318)               | (34,800)        | (71,128)             | (488,246)               |
| Net carrying amount . . . . .                       | <u>1,767,068</u>        | <u>1,936,035</u>        | <u>—</u>        | <u>15,333</u>        | <u>3,718,436</u>        |
| Reclassification—cost . . . . .                     | —                       | 81,164                  | —               | 66,229               | 147,393                 |
| Reclassification—accumulated depreciation . . . . . | —                       | (75,279)                | —               | (58,509)             | (133,788)               |
| Additions . . . . .                                 | —                       | 1,445                   | —               | 75,062               | 76,507                  |
| Amortisation for the year . . . . .                 | —                       | (180,912)               | —               | (34,576)             | (215,488)               |
| Total changes 2009 . . . . .                        | <u>—</u>                | <u>(173,582)</u>        | <u>—</u>        | <u>48,206</u>        | <u>(125,376)</u>        |
| At 31 December, 2009                                |                         |                         |                 |                      |                         |
| At cost . . . . .                                   | 1,767,068               | 2,400,962               | 34,800          | 227,752              | 4,430,582               |
| Accumulated depreciation . . . . .                  | —                       | (638,509)               | (34,800)        | (164,213)            | (837,522)               |
| Net carrying amount . . . . .                       | <u><u>1,767,068</u></u> | <u><u>1,762,453</u></u> | <u><u>—</u></u> | <u><u>63,539</u></u> | <u><u>3,593,060</u></u> |

In 2008 former operating companies Multikabel, Casema and @Home merged into Ziggo. As a result of the merger Ziggo integrated these businesses and consequently one cash generating unit remains. All goodwill acquired through business combinations has been allocated for impairment testing to the cash-generating unit at which management monitors the operating results.

Value in use calculations use cash flow projections covering a maximum period of five years that are based on three-year financial budgets approved by Company management. Cash flows beyond this three year period are extrapolated using estimated growth rates that do not exceed the long-term average growth rate and are consistent with forecasts included in industry reports. The value in use calculated in the goodwill impairment test exceeded the carrying amount of the cash generating unit Ziggo and consequently no impairment was recognised. The discount rate used for the 2009 assessment is 7.0%, whereas the discount rate for 2008 was 9.42%.

The calculation of the value in use is most sensitive to the key assumptions set out below.

*Cash Flow*—Main drivers within free cash flow are revenues, costs and capital expenditure levels. Estimates are made based on historic growth numbers and expected future growth and related costs and capital expenditures. These estimates are based on expected market penetration levels for revenues.

*Discount rates*—Discount rates reflect management's estimate of the specific risks. This is the benchmark used by management to assess operating performance and to evaluate future investment proposals. In this estimate management also took into account the average cost of capital both from a bank facility and shareholder perspective.

*Growth rate estimate*—The growth rates applied are on a gross basis (not adjusted for inflation) and reflect historic growth numbers and current market developments. Years beyond the budgeted period are extrapolated using for conservative purposes a lower growth rate than the last budgeted year.

With regard to the assessment of value in use of goodwill, management believes that no reasonably possible change in any of the above key assumptions would cause a materially impact on the value in use calculation and a subsequent adjustment of the carrying amount of goodwill.

The customer lists are valued at cost and amortised in 12–14 years as far as they are related to residential customers and amortised in 13 years as far as they are related to business customers, using the straight line method over their economic useful lives. Software is amortised in 3 years using the straight line method over their economically useful lives.

## 9. Financial assets

Financial assets consist of loans to personnel of €87 (2008: €178) and long term prepaid expenses (related to information technology contracts) for €281 (2008: €721).

## 10. Inventories

|  | 31 December<br>2009 | 31 December<br>2008 |
|--|---------------------|---------------------|
| Equipment and cables . . . . .         | 8,027               | 6,196               |
| Customer premises equipment . . . . .  | 6,684               | 3,252               |
| Set-top boxes . . . . .                | 11,089              | 3,744               |
| Other . . . . .                        | —                   | 786                 |
| Allowance for obsolete stock . . . . . | (258)               | —                   |
| Total Inventories . . . . .            | <u>25,542</u>       | <u>13,978</u>       |

## 11. Trade accounts receivable

|   | 31 December<br>2009 | 31 December<br>2008 |
|---|---------------------|---------------------|
| Trade accounts receivable—gross . . . . . | 57,896              | 54,319              |
| Allowance for doubtful accounts . . . . . | (14,304)            | (5,600)             |
| Trade accounts receivable—net . . . . .   | <u>43,592</u>       | <u>48,719</u>       |

Allowances are calculated on an individual basis, and on a portfolio basis for groups of receivables that are not individually identified as impaired. The allowance for doubtful accounts reflects management's best estimate of probable losses inherent in the account receivable balance, based on known troubled accounts, historical experience by kind of trade debtor and other currently available evidence.

The movements in the allowances for doubtful accounts during the year 2009 can be explained as follows:

|                          | 2009          | 2008         |
|--------------------------|---------------|--------------|
| At 1 January . . . . .   | 5,600         | 12,409       |
| Additions . . . . .      | 11,643        | 4,707        |
| Used . . . . .           | (2,939)       | (11,516)     |
| At 31 December . . . . . | <u>14,304</u> | <u>5,600</u> |

A pledge has been given on all receivables as mentioned in Note 15.

Trade accounts receivables are non interest-bearing and are generally due on 30 days' terms.

## 12. Other current assets

|                                   | 31 December<br>2009 | 31 December<br>2008 |
|-----------------------------------|---------------------|---------------------|
| Costs paid in advance . . . . .   | 13,470              | 10,786              |
| Deposits . . . . .                | —                   | 94                  |
| Credit notes to receive . . . . . | —                   | 61                  |
| Income to be invoiced . . . . .   | 13,656              | 18,257              |
| Other receivables . . . . .       | 58                  | 904                 |
| Total current assets . . . . .    | <u>27,184</u>       | <u>30,102</u>       |



### 13. Cash and cash equivalents

|   | 31 December<br>2009 | 31 December<br>2008 |
|---|---------------------|---------------------|
| Bank accounts . . . . .                   | 65,297              | 42,639              |
| Cash . . . . .                            | —                   | 5                   |
| Total cash and cash equivalents . . . . . | <u>65,297</u>       | <u>42,644</u>       |

All cash within the Company is held within bank accounts and earn interest at floating rates based on daily bank deposit rates.

A pledge has been given on the accounts of the Company as mentioned in Note 15.

### 14. Shareholder's equity

The Company is incorporated as a private limited liability Company under Dutch law. Its registered capital fully consist of ordinary shares. The authorised capital is 1,000 shares of €100 per share.

Other reserves represents the cash flow hedge reserve, which is a legal reserve.

### 15. Loans from financial institutions

|   | 31 December<br>2009 | 31 December<br>2008 |
|---|---------------------|---------------------|
| Credit agreements (senior loan & mezzanine) . . . . . | 3,814,610           | 3,920,775           |
| Funding costs . . . . .                               | (102,568)           | (119,916)           |
| Total loans . . . . .                                 | 3,712,042           | 3,800,859           |
| Financial leases . . . . .                            | —                   | 424                 |
|   | <u>3,712,042</u>    | <u>3,801,283</u>    |

The average percentage of the total borrowings, is 4.783% in addition to EURIBOR (2008: 4.655%). Funding costs are amortised over the lifetime of the underlying facility and are included in depreciation and amortisation in the income statement.

The current credit agreement relates to both the acquisitions of Casema in 2006 and the acquisition of @Home in 2007. The total is divided in the following tranches and facilities:

| <b>Senior Loan</b>               | <b>Interest rate</b> | <b>Maturity</b> | <b>Casema</b>           | <b>@Home</b>            | <b>31-Dec-09</b>        | <b>31-Dec-08</b>        |
|----------------------------------|----------------------|-----------------|-------------------------|-------------------------|-------------------------|-------------------------|
| Facility A . . . . .             | EURIBOR +2.00%       | (*)             | 90,725                  | 114,525                 | 205,250                 | 365,250                 |
| Facility B . . . . .             | EURIBOR +2.50%       | 2014            | 625,000                 | 475,000                 | 1,100,000               | 1,100,000               |
| Facility C . . . . .             | EURIBOR +3.00%       | 2015            | 625,000                 | 475,000                 | 1,100,000               | 1,100,000               |
| Facility D . . . . .             | EURIBOR +4.25%       | 2016            | 150,000                 | 100,000                 | 250,000                 | 250,000                 |
| Total Senior Loan . . . . .      |                      |                 | 1,490,725               | 1,164,525               | 2,655,250               | 2,815,250               |
| <b>Mezzanine Facility</b>        |                      |                 |                         |                         |                         |                         |
| Principal loan amount            |                      |                 |                         |                         |                         |                         |
| EURIBOR +9.25% . . . . .         |                      | 2016            | 475,000                 | 525,000                 | 1,000,000               | 1,000,000               |
| Capitalised interest . . . . .   |                      |                 | 73,217                  | 66,290                  | 139,507                 | 68,758                  |
| Accrued Interest . . . . .       |                      |                 | 7,841                   | 12,012                  | 19,853                  | 36,767                  |
| Total Mezzanine . . . . .        |                      |                 | 556,058                 | 603,302                 | 1,159,360               | 1,105,525               |
| <b>Total loan . . . . .</b>      |                      |                 | <b>2,046,783</b>        | <b>1,767,827</b>        | <b>3,814,610</b>        | <b>3,920,775</b>        |
| Funding costs . . . . .          |                      |                 | (52,978)                | (49,590)                | (102,568)               | (119,916)               |
| <b>Total long term . . . . .</b> |                      |                 | <b><u>1,993,805</u></b> | <b><u>1,718,237</u></b> | <b><u>3,712,042</u></b> | <b><u>3,800,859</u></b> |

(\*) For the repayment schedule of the Facility A: see the repayment schedule as set out below.

The other facilities are repayable upon maturity.

## Senior loan, Facility A

Under both the loan terms the Company is required to repay the Facility A loan in several instalments. The Company is allowed to prepay any future instalments. In case prepayments are made, these will be deducted from any future repayments, thus reducing short term repayment obligations.

The Company has made repayments in 2009 for a total of €160.000. The repayment has been distributed over both the Casema (€70,723) and Kabelcom loan(€89,277). The applicable repayment schedule after this repayment is set out below:

| Repayment date      | Percentage of initial amount |                    |
|---------------------|------------------------------|--------------------|
|                     | Casema<br>Term A             | Kabelcom<br>Term A |
| 31-mrt-12 . . . . . | 8%                           | 6%                 |
| 30-sep-12 . . . . . | 7.87%                        | 6%                 |
| 31-mrt-13 . . . . . | 12.30%                       | 14.72%             |
| 13-sep-13 . . . . . | 12.30%                       | 14.72%             |

Any amount of any A term loan still outstanding on the final maturity date must be repaid on that date.

## Mezzanine facilities

The interest rate of both mezzanine facilities (EURIBOR+9.25%) consist of a cash interest and a non-cash interest component. The non-cash interest component (PIK-interest) of 4.75% will be capitalised at the end of each six month period and will be added to the outstanding principal amount. From that date the non-cash interest component will be treated as part of the principal amount be accrued to the loan and repaid in full upon maturity of the loan.

## Prepayment

On certain occasions prepayment of part or all of the drawn facilities is mandatory. For example the occurrence of a change in control or the sale of all or substantially all of the assets of the Company will lead to a cancellation of the facilities and all outstanding utilisations and ancillary outstandings, together with accrued interest shall become immediately due and payable.

## Securitisation

The total credit facility (senior loan and mezzanine facility) are secured over the Company's tangible assets as follows:

- Mortgage on all registered properties, related movable assets, the network related elements, and the claims
- Pledges on all bank accounts, intellectual property rights, receivables and movable assets.

## Funding costs

Costs associated with the drawing of the facilities are subtracted from the loan and amortised over the period of the different facilities. Given that no new facilities were drawn and no drawings were made under existing facilities in 2009 no funding costs apply for 2009 and 2008.

## Revolving and capital expenditure restructuring facility

In addition to the senior and mezzanine loans the Company has a revolving facility of €150.0 million and a capital expenditure restructuring facility of €250.0 million. During the year 2009 there were no drawings under these facilities. The Company pays an annual fee for the availability of the facilities.

## Financial leases

The company has no financial lease obligations at year end 2009 (2008: €424).

## 16. Loans payable to related parties

The Company has been granted loans from the parent company Even Investments 2 Sàrl, registered in Luxemburg. Loans in the amount of €167.0 million are subject to 14.125% interest and loans in the amount of €1703.0 million are subject to 10.08% interest. Any unpaid interest is added to the loan.

Loans are repayable in full including accrued interest at the end of 2015.

During the year 2009 interest has been charged to the income statement with respect these loans in the amount of €176.6 million (2008: €159.8 million).

## 17. Provisions

|   | <u>Restructuring</u> | <u>Legal claims</u> | <u>Other</u> | <u>Total</u>  |
|---|----------------------|---------------------|--------------|---------------|
| At 31 December 2007 . . . . .                 | 12,150               | 15,534              | 2,024        | 29,708        |
| Arising during the year . . . . .             | 9                    | 1,139               | —            | 1,148         |
| Release during the year . . . . .             | —                    | (4,693)             | —            | (4,693)       |
| Utilisation . . . . .                         | (7,038)              | —                   | (24)         | (7,062)       |
| At 31 December 2008 . . . . .                 | 5,121                | 11,980              | 2,000        | 19,101        |
| Current . . . . .                             | 28                   | 11,980              | 2,000        | 14,008        |
| Non-current . . . . .                         | 5,093                | —                   | —            | 5,093         |
| At 31 December 2008 . . . . .                 | 5,121                | 11,980              | 2,000        | 19,101        |
| Additions (including interest cost) . . . . . | 9,694                | 720                 | 146          | 10,560        |
| Usage . . . . .                               | (3,258)              | (408)               | (541)        | (4,207)       |
| Released . . . . .                            | (1,760)              | —                   | —            | (1,760)       |
| At 31 December 2009 . . . . .                 | 9,797                | 12,292              | 1,605        | 23,694        |
| Current . . . . .                             | 9,797                | 12,292              | 1,605        | 23,694        |
| Non-current . . . . .                         | —                    | —                   | —            | —             |
| At 31 December 2009 . . . . .                 | <u>9,797</u>         | <u>12,292</u>       | <u>1,605</u> | <u>23,694</u> |

### Restructuring provision

In 2007, the Company entered into an agreement with the Works Council for a social plan with respect to the restructuring of the head-office organisation resulting in a reduction of workforces. Management approved a detailed and formal restructuring plan and the restructuring was announced to the parties concerned. The restructuring plan was executed in 2008 and 2009. Employees were able to apply for the social plan until the end of 2009. The number of employees that applied exceeded management's initial expectation and consequently the restructuring provision was increased in 2009.

### Provision for legal claims

The Company has recognised a provision for disputes with a limited number of municipals on the exploitation of the network. Usage of the provision relates to the settlement in 2009 with one municipal. The addition to the legal claims is interest cost recognised as other interest expense within financial income and expense.

### Other provisions

The other provision in the amount of €1.0 million relates to a transfer tax claim of a predecessor of CAI Oosterhout B.V. (a subsidiary of former Casema B.V.) and €0.6 million relates to legalisation of the network. Both matters are expected to be settled in 2010.

## 18. Other current liabilities

Other current liabilities comprise of the following:

|                                     | 31 December<br>2009 | 31 December<br>2008 |
|-------------------------------------|---------------------|---------------------|
| Accrued expenses . . . . .          | 70,744              | 90,693              |
| Taxes and Social Security . . . . . | 19,613              | 8,077               |
| Provisions—current . . . . .        | 23,694              | 14,008              |
| Accrued interest . . . . .          | 1,561               | 2,737               |
| Holiday allowance . . . . .         | 5,182               | 10,649              |
| Bonuses to personnel . . . . .      | 5,983               | 3,389               |
| Pension contribution . . . . .      | 838                 | 426                 |
| Other . . . . .                     | 2,871               | 4,483               |
| Total . . . . .                     | <u>130,486</u>      | <u>134,462</u>      |

Taxes and social security include wage tax and value added tax payable. For provisions reference is made to Note 17.

## 19. Commitments and contingencies

### Lease commitments

The Company leases buildings, certain office equipment and vehicles and entered into various maintenance and support contracts for the support on mainly network equipment. Lease terms generally range from three to five years with the option to renew at varying terms. Lease commitments for the coming years are mentioned in the following schedule:

|                 | Buildings     | Other<br>contracts | 2009          | 2008          |
|-----------------|---------------|--------------------|---------------|---------------|
| 2009 . . . . .  | —             | —                  | —             | 14,514        |
| 2010 . . . . .  | 8,106         | 6,436              | 14,542        | 11,965        |
| 2011 . . . . .  | 8,002         | 4,951              | 12,953        | 12,864        |
| 2012 . . . . .  | 8,173         | 3,890              | 12,063        | 12,470        |
| 2013 . . . . .  | 8,311         | 2,702              | 11,013        | 12,350        |
| 2014 . . . . .  | 8,462         | 585                | 9,047         | 52            |
| Total . . . . . | <u>41,054</u> | <u>18,564</u>      | <u>59,618</u> | <u>64,215</u> |

### Purchase commitments

The company enters into purchase commitments in the ordinary course of business, which however are not material.

### Legal proceedings

The Company is involved in a number of legal proceedings. The legal proceedings may result in liability material to the Company's financial condition, 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 interests of the Company. In accordance with IAS 37 "Provisions, Contingent Liabilities and Contingent Assets", the Company has recognized provisions with respect to these proceedings, where appropriate, which are reflected in the consolidated balance sheet.

## 20. 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 making financial or operational decisions. The related parties comprise associated companies, key-management personnel and close family members of related parties.

## Transactions and positions

In total €0.5 million (2008: €0.7 million) of management fee has been charged by the ultimate shareholders to the Company.

In the normal course of business, Zesko B.V. and its subsidiaries maintain various types of ordinary 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.

## Remuneration of the Corporate Executive Board of the Company

The aggregated remuneration of the Corporate Executive Board members B.E. Dijkhuizen, W.R. Blom and M.J. Nijhoff can be specified as follows:

|                                 | 2009         | 2008         |
|---------------------------------|--------------|--------------|
| Wages and salaries . . . . .    | 1,090        | 935          |
| Bonus payments . . . . .        | 350          | 700          |
| Social security costs . . . . . | 18           | 19           |
| Pension costs . . . . .         | 176          | 141          |
| Total . . . . .                 | <u>1,634</u> | <u>1,795</u> |

## Remuneration of the Supervisory Board of the Company

The Company was charged for the remuneration of two Supervisory Board members in the amount of €122 (2008: €176).

## 21. Financial risks

The Company's principal financial instruments—other than derivatives—comprise bank loans and overdrafts, cash and short-term deposits and trade receivables.

### Credit risk

The credit risk on trade accounts receivables by customer is considered to be low as a result of the large and diverse nature of the Company's customer base and the relatively small receivables as per customer.

The analyses of the ageing of the trade accounts receivables can be explained as follows:

|                | Total  | Not due<br><30 days | Past due, but not impaired |            |             |              |           |
|----------------|--------|---------------------|----------------------------|------------|-------------|--------------|-----------|
|                |        |                     | 30–60 days                 | 60–90 days | 90–180 days | 180–365 days | >365 days |
| 2009 . . . . . | 43,593 | 24,724              | 3,308                      | 2,653      | 6,190       | 6,537        | 180       |
| 2008 . . . . . | 48,719 | 24,481              | 4,713                      | 4,753      | 7,954       | 5,351        | 1,467     |

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

### 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 projected cash flows over rolling periods of six months.

Based on the current operating performance and liquidity position, the Company believes that cash provided 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 12 months and the foreseeable future.

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

| <u>31 December 2009</u>                        | <u>Carrying amount</u> | <u>Contractual cash flows</u> | <u>January–March 2010</u> | <u>April–December 2010</u> | <u>2011</u>      | <u>2012–2014</u>   | <u>After 2014</u>  |
|--|------------------------|-------------------------------|---------------------------|----------------------------|------------------|--------------------|--------------------|
| <b>Non-derivative financial liabilities</b>    |                        |                               |                           |                            |                  |                    |                    |
| Credit agreements . . . . .                    | 3,814,610              | (5,155,266)                   | (35,584)                  | (109,791)                  | (148,204)        | (1,749,101)        | (3,112,586)        |
| Loans from related parties . .                 | 1,869,979              | (3,399,080)                   | —                         | —                          | —                | —                  | (3,399,080)        |
| Trade accounts payable . . . . .               | 102,951                | (102,951)                     | (102,951)                 | —                          | —                | —                  | —                  |
| <b>Derivative financial liabilities</b>        |                        |                               |                           |                            |                  |                    |                    |
| Interest rate swaps used for hedging . . . . . | 102,261                | (219,054)                     | (24,012)                  | (61,368)                   | (67,960)         | (65,714)           | —                  |
| <b>Total . . . . .</b>                         | <b>5,889,801</b>       | <b>(8,876,352)</b>            | <b>(162,547)</b>          | <b>(171,159)</b>           | <b>(216,164)</b> | <b>(1,814,815)</b> | <b>(6,511,667)</b> |

| <u>31 December 2008</u>                        | <u>Carrying amount</u> | <u>Contractual cash flows</u> | <u>January–March 2009</u> | <u>April–December 2009</u> | <u>2010</u>      | <u>2011–2013</u>   | <u>After 2013</u>  |
|--|------------------------|-------------------------------|---------------------------|----------------------------|------------------|--------------------|--------------------|
| <b>Non-derivative financial liabilities</b>    |                        |                               |                           |                            |                  |                    |                    |
| Credit agreements . . . . .                    | 3,920,775              | (6,031,747)                   | (56,943)                  | (175,456)                  | (245,945)        | (1,073,207)        | (4,480,197)        |
| Loans from related parties . .                 | 1,693,370              | (3,399,080)                   | —                         | —                          | —                | —                  | (3,399,080)        |
| Financial lease liabilities . . . .            | 424                    | (451)                         | (309)                     | (142)                      | —                | —                  | —                  |
| Trade accounts payable . . . . .               | 60,242                 | (60,242)                      | (60,242)                  | —                          | —                | —                  | —                  |
| <b>Derivative financial liabilities</b>        |                        |                               |                           |                            |                  |                    |                    |
| Interest rate swaps used for hedging . . . . . | 73,935                 | (131,993)                     | (12,037)                  | (61,247)                   | (24,178)         | (32,816)           | (1,715)            |
| <b>Total . . . . .</b>                         | <b>5,748,746</b>       | <b>(9,623,513)</b>            | <b>(129,531)</b>          | <b>(236,845)</b>           | <b>(270,122)</b> | <b>(1,106,022)</b> | <b>(7,880,992)</b> |

**Market risk**

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

*Interest rate risk*

Exposure to the risk of changes in the 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. They are used to transform the interest rate exposure on the underlying liability from a floating interest rate to a fixed interest rate. It is the Company's policy to keep at least 50% of its borrowings at fixed rates of interest.

The net interest rate risk can be explained as follows:

|  | <u>31 December 2009</u> | <u>31 December 2008</u> |
|--|-------------------------|-------------------------|
| Notional Amount Borrowing (floating) . . . . .               | (3,814,610)             | (3,920,775)             |
| Cash (floating) & Deposits (floating and/or fixed) . . . . . | 65,297                  | 42,486                  |
| Notional Amount IRS (fixed) . . . . .                        | 2,838,000               | 2,961,750               |
| <b>Net Interest Rate Risk . . . . .</b>                      | <b>(911,313)</b>        | <b>(916,539)</b>        |

At 31 December 2009, after taking into account the effect of interest rate swaps, approximately 74% of the Company's borrowings are at a fixed rate of interest (2008: 76%).



### *Sensitivity analyses interest rate risk*

The following table demonstrates the sensitivity to a reasonably possible change in interest rates, with all other variables held constant, of the Company's result before tax (through the impact on floating rate borrowings). There is no impact on the Company's equity.

| <u>Increase/decrease in basis points</u> | <u>31 December<br/>2009</u> | <u>31 December<br/>2008</u> |
|--|-----------------------------|-----------------------------|
| +20bp . . . . .                          | (1,823)                     | (1,795)                     |
| +10bp . . . . .                          | (911)                       | (897)                       |
| - 10bp . . . . .                         | 911                         | 897                         |
| - 20bp . . . . .                         | 1,823                       | 1,795                       |

### *Foreign currency risk*

The Company also has transactional currency exposures arising from purchases in USD. Due to the limited exposure, there are no hedge contracts entered into to mitigate this risk.

The breakdown of the net foreign currency exposure of the USD amounts to €10.4 million in (2008: €0.6 million) and relates to the net amount of cash & cash equivalents and trade accounts payable.

### **Capital management**

The financing of Multikabel, Casema and @Home were done through equity and debt syndication in the balance of about 30% to 70% respectively. The primary object of the Company's capital management is to ensure that the covenants agreed upon with the lenders of the credit agreement (senior loan & mezzanine) will be met and an optimal debt to equity ratio is reached taking into account the Company's liabilities. No changes were made in the objectives, policies or processes during the years ending 31 December 2009 and 31 December 2008.

The Company needs to comply on a quarterly basis with covenants set by the lenders of the senior and mezzanine loans. These covenants are the interest coverage ratio, net leverage ratio and the fixed charge coverage ratio. These financial covenants were all met during the years 2009 and 2008.

## **22. Financial instruments**

### **Fair values**

Set out below is a comparison by category of carrying amounts and fair values of all of the Company's financial instruments that are carried in the financial statements.

|  | <u>Carrying amount</u>      |                             | <u>Fair value</u>           |                             |
|--|-----------------------------|-----------------------------|-----------------------------|-----------------------------|
|  | <u>31 December<br/>2009</u> | <u>31 December<br/>2008</u> | <u>31 December<br/>2009</u> | <u>31 December<br/>2008</u> |
| <i>Financial assets</i>                        |                             |                             |                             |                             |
| Cash & cash equivalents . . . . .              | 65,271                      | 42,400                      | 65,271                      | 42,486                      |
| <i>Financial liabilities (= credit amount)</i> |                             |                             |                             |                             |
| Interest rate swap . . . . .                   | (102,261)                   | (73,935)                    | (102,261)                   | (73,935)                    |
| Interest bearing loans third party . . . . .   | (3,814,610)                 | (3,920,775)                 | (3,715,849)                 | (3,445,629)                 |

### **Hedging activities**

At 31 December 2009, the Company entered into interest rate swap (IRS) agreements with a total notional amount of €2,838.0 million (2008: €2,961.8 million) whereby it pays a fixed rate of interest (between 3.55% and 3.84%) and receives a variable rate equal to EURIBOR on the notional amount. These IRS agreements are being used to reduce the exposure to changes in the variable Euribor rates on the outstanding loan portfolio of €3,814.6 million (2008: €3,920.8 million). The notional amounts of the IRS contracts will be reduced in line with the repayment schedule on the loan portfolio (currently last IRS matures in 2014). In addition the Company entered into basis swaps agreements with a total notional amount of €1,398.8 in order to match the Euribor in the facility agreement.

## Fair value hierarchy

The table below analyses financial instruments carried at fair value, by valuation method. The different levels have been defined as follows:

- Level 1: quoted prices (unadjusted) in active markets for identical assets or liabilities
- Level 2: inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly (i.e., as prices) or indirectly (i.e., derived from prices)
- Level 3: inputs for the asset or liability that are not based on observable market data (unobservable inputs).

| <u>31 December 2009</u>  | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
|--|----------------|----------------|----------------|--------------|
| Available for sale financial assets . . . . .                              | —              | —              | —              | —            |
| Financial assets designated at fair value through profit or loss . . . . . | —              | —              | —              | —            |
| Financial assets held for trading . . . . .                                | —              | —              | —              | —            |
| Derivative financial assets . . . . .                                      | —              | —              | —              | —            |
| Derivative financial liabilities . . . . .                                 | —              | 102,261        | —              | 102,261      |
|  | —              | (102,261)      | —              | (102,261)    |
| <u>31 December 2008</u>  | <u>Level 1</u> | <u>Level 2</u> | <u>Level 3</u> | <u>Total</u> |
| Available for sale financial assets . . . . .                              | —              | —              | —              | —            |
| Financial assets designated at fair value through profit or loss . . . . . | —              | —              | —              | —            |
| Financial assets held for trading . . . . .                                | —              | —              | —              | —            |
| Derivative financial assets . . . . .                                      | —              | —              | —              | —            |
| Derivative financial liabilities . . . . .                                 | —              | 73,925         | —              | 73,925       |
|  | —              | (73,925)       | —              | (73,925)     |

The Company enters into derivative financial instruments with various counterparties, principally financial institutions with investment grade ratings. The calculation of the fair value for derivative instruments depends on the type of instrument. Derivative interest rate contracts (interest rate swaps) are estimated by discounting expected future cash flows using market interest rates and yield curve over the remaining term of the instrument.

During the years 2009 and 2008 there have been no changes in the valuation method of the financial instruments of the Company.

## 23. Group companies

### Group companies of Zesko

The following are Zesko's significant subsidiaries as of December 31, 2009. Unless otherwise indicated, these are wholly owned subsidiaries. Subsidiaries not important 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 availed itself of the exemption laid down in section 403, subsection 1 of Book 2 of the Netherlands Civil Code. Pursuant to this section, the Company has issued declarations of assumption of liability for its subsidiaries. These companies are marked with an \* in the following table.

Plinius Investments B.V., Amsterdam, The Netherlands  
Torensplits B.V., Amsterdam, The Netherlands  
Ziggo 4 B.V., Groningen, The Netherlands  
Amsterdamse Beheer- en Consultingmaatschappij B.V., Amsterdam, The Netherlands  
Christina Beheer- en Adviesmaatschappij B.V., Amsterdam, The Netherlands\*  
Serpering Investments B.V., Amsterdam, The Netherlands\*  
Plinius Investments II B.V., Amsterdam, The Netherlands\*  
Torensplits II B.V., Amsterdam, The Netherlands\*

Ziggo Holding B.V., Groningen, The Netherlands\*  
Ziggo B.V., Groningen, The Netherlands\*  
Ziggo Netwerk B.V., Groningen, The Netherlands\*  
TeleCai Den Haag B.V., Den Haag, The Netherlands\*

#### **24. Subsequent events**

On 22 March, 2009 the Company announced that it intends to issue a bond and replace the current Mezzanine loan. The Company expects—given the current market—to issue the bond at a lower interest rate compared to the interest charged for the Mezzanine loan. Issuance of the bond is planned to be completed by mid April 2010. Furthermore, it has mandated Goldman Sachs and Credit Suisse as joint book runners for the bond issue.

**PARENT COMPANY FINANCIAL STATEMENTS**  
**INCOME STATEMENT**

| <u>Amounts in thousands of €</u>           | <u>Note</u> | <u>2009</u>      | <u>2008</u>      |
|--|-------------|------------------|------------------|
| Result investments . . . . .               | 4           | (105,501)        | (223,836)        |
| Profit (loss) after income taxes . . . . . |             | <u>(131,574)</u> | <u>(119,037)</u> |
| Net loss . . . . .                         |             | <u>(237,075)</u> | <u>(342,873)</u> |

**BALANCE SHEET**

**As per 31 December 2009, before appropriation of current year result**

| <u>Amounts in thousands of €</u>                | <u>Note</u> | <u>2009</u>           | <u>2008</u>             |
|---|-------------|-----------------------|-------------------------|
| <b>ASSETS</b>                                   |             |                       |                         |
| Investments . . . . .                           | 3           | 841,421               | 974,071                 |
| Deferred income tax asset . . . . .             |             | <u>137,865</u>        | <u>92,830</u>           |
| Total non-current assets . . . . .              |             | <u>979,286</u>        | <u>1,066,901</u>        |
| Other current assets . . . . .                  | 4           | 396                   | 318                     |
| Cash and cash equivalents . . . . .             |             | <u>0</u>              | <u>77</u>               |
| Total current assets . . . . .                  |             | <u>396</u>            | <u>395</u>              |
| <b>TOTAL ASSETS</b> . . . . .                   |             | <b><u>979,682</u></b> | <b><u>1,067,296</u></b> |
| <b>EQUITY AND LIABILITIES</b>                   |             |                       |                         |
| Issued share capital . . . . .                  |             | 20                    | 20                      |
| Share premium . . . . .                         |             | 36,647                | 36,647                  |
| Retained earnings . . . . .                     |             | (662,850)             | (319,977)               |
| Other reserves . . . . .                        |             | (27,149)              | —                       |
| Net income (loss) for the period . . . . .      |             | <u>(237,075)</u>      | <u>(342,873)</u>        |
| Equity attributable to equity holders . . . . . | 5           | (890,407)             | (626,183)               |
| Loans payable to related parties . . . . .      | 6           | <u>1,869,979</u>      | <u>1,693,369</u>        |
| Total non-current liabilities . . . . .         |             | <u>1,869,979</u>      | <u>1,693,369</u>        |
| Other current liabilities . . . . .             | 7           | <u>110</u>            | <u>110</u>              |
| Total current liabilities . . . . .             |             | <u>110</u>            | <u>110</u>              |
| <b>TOTAL EQUITY AND LIABILITIES</b> . . . . .   |             | <b><u>979,682</u></b> | <b><u>1,067,296</u></b> |

## NOTES TO THE COMPANY FINANCIAL STATEMENTS

### 1. Corporate information

Zesko B.V. is the holding company of several entities in the Netherlands as mentioned in Note 23 of the consolidated financial statements. The principal activities of the Company are to participate in, to finance or to have any other interest in, or to conduct the management of, other companies and enterprises. The Company is the owner and operator of a broadband cable network in The Netherlands. The subsidiary Ziggo B.V. offers analogue and digital radio and television, broadband internet and telephony services in The Netherlands to 3.2 million households.

Zesko B.V. is a private limited company having its corporate seat in Amsterdam, The Netherlands and is wholly owned by Zesko Holding B.V., The Netherlands.

### 2. Significant accounting policies

#### Basis of preparation

The parent company financial statements of Zesko BV. 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 parent company financial statements are the same as those applied in the consolidated financial statements (see Note 1 to the consolidated financial statements). This means that the principles for recognition and measurement of assets and liabilities and determination of the result of the Company are the same as those applied for the consolidated financial statements.

The Company prepares its consolidated financial statements in accordance with International Financial Reporting Standards (IFRS) laid down by the International Accounting Standards Board and adopted by the European Union. The accounting policies applied in the parent company financial statements are the same as those applied in the consolidated financial statements. Reference is made to Note 2 of the consolidated financial statements for a description of these principles.

The parent company financial statements are presented in thousands of Euros (€) except when otherwise indicated.

As the financial data Zesko 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).

#### Investments in subsidiaries, joint ventures and associates

Investments in subsidiaries are accounted for using the net equity value Zesko B.V. calculates the net equity value using the accounting policies as described in Note 2 to the consolidated financial statements. The net equity value of subsidiaries comprises the cost, excluding goodwill, of Zesko B.V.'s share in the net assets of the subsidiary, plus the share in income or losses since acquisition, less dividends received. In case the net equity value is negative and the Company is liability for the deficit of the subsidiary the carrying amount is presented as "Provision for the net capital deficiency of investments".

### 3. Investments

|  | <u>2009</u>      | <u>2008</u>      |
|--|------------------|------------------|
| Opening Balance at 1 January . . . . .   | 974,071          | 1,197,907        |
| Cash flow hedge reserve . . . . .        | (27,149)         | —                |
| Result Participations . . . . .          | <u>(105,501)</u> | <u>(223,836)</u> |
| Closing Balance at 31 December . . . . . | <u>841,421</u>   | <u>974,071</u>   |

As at 31 December 2009 the Company is the sole shareholder of Amsterdamse Beheer- en Consultingmaatschappij B.V., Plinius Investments B.V. and Torensplits B.V.

#### 4. Other current assets

|                               | <u>31 December<br/>2009</u> | <u>31 December<br/>2008</u> |
|-------------------------------|-----------------------------|-----------------------------|
| Plinius Investments B.V. .... | 221                         | 220                         |
| Ziggo B.V. ....               | 175                         | 98                          |
|                               | <u>396</u>                  | <u>318</u>                  |

#### 5. Shareholder's equity

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

| <u>Amounts in thousands of €</u>          | <u>31 December<br/>2009</u> | <u>31 December<br/>2008</u> |
|---|-----------------------------|-----------------------------|
| Authorised capital                        |                             |                             |
| Ordinary shares 1,000 of €100 each .....  | 100                         | 100                         |
| Issued and fully paid (201) shares) ..... | 20                          | 20                          |
| Share premium .....                       | 36,647                      | 36,647                      |
| Other reserves .....                      | (27,149)                    | —                           |
| Retained earnings .....                   | (662,850)                   | (319,977)                   |
| Net income (loss) for the period .....    | <u>(237,075)</u>            | <u>(342,873)</u>            |
| Total .....                               | <u>(890,407)</u>            | <u>(626,183)</u>            |

Other reserves relate to the cash flow hedge reserve, which is a legal reserve.

#### 6. Loans payable to related parties

The Company has been granted loans from the parent company Even Investments 2 Sàrl, registered in Luxemburg. Loans in the amount of €167.0 million are subject to 14.125% interest and loans in the amount of €1,703.0 million are subject to 10.08% interest. Any unpaid interest is added to the loan.

Loans are repayable in full including accrued interest at the end of 2015.

During the year 2009 interest has been charged to the income statement with respect these loans in the amount of €176.6 million (2008: €159.8 million).

#### 7. Other current liabilities

The Company has the following intercompany balances with group companies, included in other current liabilities:

|                               | <u>31 December<br/>2009</u> | <u>31 December<br/>2008</u> |
|-------------------------------|-----------------------------|-----------------------------|
| Even Investments 2 Sàrl ..... | 110                         | 110                         |
| Total .....                   | <u>110</u>                  | <u>110</u>                  |

#### 8. 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 making financial or operational decisions. The related parties comprise associated companies, key-management personnel and close family members of related parties.

##### Transactions and positions

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



## Remuneration

For the remuneration of the Board members reference is made to Note 20 in the consolidated financial statements.

### 9. Subsequent events

On 22 March, 2009 the Company announced that it intends to issue a bond and replace the current Mezzanine loan. The Company expects—given the current market—to issue the bond at a lower interest rate compared to the interest charged for the Mezzanine loan. Issuance of the bond is planned to be completed by mid April 2010. Furthermore, it has mandated Goldman Sachs and Credit Suisse as joint book runners for the bond issue.

### 10. Auditor fees

Expenses for services provided by the Company's independent auditor, Ernst & Young and its member firms and/or affiliates to Zesko B.V. and its subsidiaries can be specified as follows:

| <u>Amounts in thousands of €</u> | <u>2009</u> | <u>2008</u> |
|----------------------------------|-------------|-------------|
| Audit fees . . . . .             | 300         | 260         |
| Audit-related fees . . . . .     | 125         | 173         |
| Other non-audit fees . . . . .   | 206         | 155         |
| Total . . . . .                  | <u>631</u>  | <u>588</u>  |

### **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.

It is proposed to add the result for the year 2009, which is a loss of €237,075 to the retained earnings.

## AUDITOR'S REPORT

To: the shareholders of Zesko B.V.

### **Report on the financial statements**

We have audited the accompanying financial statements 2009 of Zesko B.V., Amsterdam. The financial statements consist of the consolidated financial statements and the company financial statements. The consolidated financial statements comprise the consolidated statement of financial position as at 31 December 2009, the consolidated income statement, the consolidated statement of comprehensive income, the consolidated statement of changes in equity and the consolidated statement of cash flows for the year then ended, and a summary of significant accounting policies and other explanatory notes. The company financial statements comprise the company balance sheet as at 31 December 2009, the company profit and loss account for the year then ended and the notes.

#### *Management's responsibility*

Management is responsible for the preparation and fair presentation of the financial statements in accordance with International Financial Reporting Standards as adopted by the European Union and with Part 9 of Book 2 of the Netherlands Civil Code, and for the preparation of the management board report in accordance with Part 9 of Book 2 of the Netherlands Civil Code. This responsibility includes: designing, implementing and maintaining internal control relevant to the preparation and fair presentation of the financial statements that are free from material misstatement, whether due to fraud or error; selecting and applying appropriate accounting policies; and making accounting estimates that are reasonable in the circumstances.

#### *Auditor's responsibility*

Our responsibility is to express an opinion on the financial statements based on our audit. We conducted our audit in accordance with Dutch law. This law requires that we comply with ethical requirements and plan and perform the audit to obtain reasonable assurance 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 Zesko B.V. as at 31 December 2009, and of 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 Netherlands Civil Code.

#### *Opinion with respect to the company financial statements*

In our opinion, the company financial statements give a true and fair view of the financial position of Zesko B.V. as at 31 December 2009, and of its result for the year then ended in accordance with Part 9 of Book 2 of the Netherlands Civil Code.

**Report on other legal and regulatory requirements**

Pursuant to the legal requirement under 2:393 sub 5 part f of the Netherlands Civil Code, we report, to the extent of our competence, that the management board report is consistent with the financial statements as required by 2:391 sub 4 of the Netherlands Civil Code.

Amsterdam, 26 March 2010

Ernst & Young Accountants LLP

Signed by F.J. Blenderman

**Section D**  
**Ziggo N.V.**  
**Audited Consolidated Financial Statements**  
**as at December 31, 2011**

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## STATEMENT OF FINANCIAL POSITION

As at 31 December 2011

| <u>Amounts in thousands of €</u>            | <u>Note</u> | <u>31 December<br/>2011</u> |
|---|-------------|-----------------------------|
| <b>ASSETS</b>                               |             |                             |
| Investment in subsidiaries .....            | 3           | 43                          |
| Cash and cash equivalents .....             |             | 2                           |
| Current assets .....                        |             | 2                           |
| <b>TOTAL ASSETS</b> .....                   |             | <b>45</b>                   |
| <b>EQUITY AND LIABILITIES</b>               |             |                             |
| Issued share capital .....                  |             | 45                          |
| Equity attributable to equity holders ..... | 4           | 45                          |
| <b>TOTAL EQUITY AND LIABILITIES</b> .....   |             | <b>45</b>                   |

No income statement is prepared as there were no activities during the financial year 2011 that should be recognized in the income statement. All income statement line items would be zero consequently.

The accompanying notes are an integral part of the statement of financial position.

## NOTES TO THE STATEMENT OF FINANCIAL POSITION

### 1. Company information

Ziggo N.V. (the “Company”) is a private limited company incorporated having its corporate seat in Amsterdam (Address: 9723 AB Groningen, Winschotendiep 60) The Netherlands. The Company is wholly owned by Zesko Holding B.V. whose ultimate shareholders are the private equity companies Cinven Limited and Warburg Pincus LLC.

The Company was established on 1 April 2011. The principal activities of the Company are to participate in, to finance or to have any other interest in, or to conduct the management of, other companies and enterprises. As the Company was established on 1 April 2011, no comparative information is available.

### 2. Significant accounting policies

#### Basis of preparation

The financial statements of the Company have been prepared in accordance with Book 2 of the Dutch Civil Code.

The financial statements have been prepared on a historical cost basis. The statement of financial position is presented in thousands of Euros (€) except when stated otherwise.

The Company used the exemption laid down in section 407, subsection 2a of Book 2 of the Dutch Civil Code. Pursuant to this section, the Company does not consolidate its sole subsidiary Zesko Beheer B.V

### 3. Investments in subsidiaries

In 2011 the Company established a 100% subsidiary named Zesko Beheer B.V., a company of which its principal activities are to participate in, to finance or to have any other interest in, or to conduct the management of, other companies and enterprises.

Movements of the Company’s investment in subsidiaries were as follows:

|  | Amounts in<br>thousands of<br>€ |
|--|---------------------------------|
| Balance at 1 April 2011 . . . . .            | —                               |
| Establishment new investment . . . . .       | 43                              |
| <b>Balance at 31 December 2011 . . . . .</b> | <b>43</b>                       |

### 4. Equity attributable to equity holders

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

|   | 31 December<br>2011<br>Amounts in<br>thousands of<br>€ |
|---|--|
| <i>Authorised capital:</i>                                    |  |
| Issued an fully paid (450,000 shares of €0.10 each) . . . . . | 45   |
| <b>Equity attributable to equity holders . . . . .</b>        | <b>45</b>  |

### 5. 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 making financial or operational decisions. The related parties comprise associated companies, key-management personnel and close family members of related parties.

For details on transactions with subsidiaries, reference is made to note 3.

## **6. Commitments and contingencies**

The Company does not have any commitments or contingencies at 31 December 2011.

## **7. Subsequent events**

The purpose of setting up the Company was to transfer all subsidiaries of Zesko Holding B.V. to Ziggo N.V. with the intention of the initial public offering of [[part of]] Ziggo N.V.'s shares at the NYSE Euronext in [[Amsterdam]] on the [[Amsterdam Exchange Index ("AEX")/Amsterdam Midkap Index ("AMX")/Amsterdam Small Cap Index ("AScX")]].

### **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 2011 amounts to nil.

## INDEPENDENT AUDITOR'S REPORT

To: the Shareholder's of Ziggo N.V.

We have audited the accompanying financial statements 2011 of Ziggo N.V., Utrecht, which comprise the statement of financial position as at 31 December 2011 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 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 financial statements*

In our opinion, the financial statements give a true and fair view of the financial position of Ziggo N.V. as at December 31, 2011 and of its result for the year then ended in accordance with Part 9 of Book 2 of the Dutch Civil Code.

Amsterdam, 28 February 2012

Ernst & Young Accountants LLP

F.J. Blenderman

**Section E**

**Ziggo N.V.**

**Unaudited Pro Forma Condensed Consolidated  
Financial Information  
for the Year Ended December 31, 2011**



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**UNAUDITED PRO FORMA CONSOLIDATED INCOME STATEMENT**

| <u>Amounts in thousands of €</u>                         | <u>Ziggo N.V.</u><br><u>31 December</u><br><u>2011</u> | <u>Zesko B.V.</u><br><u>31 December</u><br><u>2011</u> | <u>Consolidated</u><br><u>Ziggo N.V.</u><br><u>31 December</u><br><u>2011</u> | <u>Pro forma</u><br><u>adjustments</u><br><u>(Note 2)</u><br><u>31 December</u><br><u>2011</u> | <u>Pro forma</u><br><u>Consolidated</u><br><u>Ziggo N.V.</u><br><u>31 December</u><br><u>2011</u> |
|--|--|--|---|--|---|
|  | <u>audited</u>   | <u>audited</u>   | <u>unaudited</u>  | <u>unaudited</u>   | <u>unaudited</u>  |
| Revenues . . . . .                                       | —  | 1,478,169  | 1,478,169   | —  | 1,478,169   |
| Cost of goods sold . . . . .                             | —  | 291,147  | 291,147   | —  | 291,147   |
| Personnel expenses . . . . .                             | —  | 175,574  | 175,574   | —  | 175,574   |
| Contracted work . . . . .                                | —  | 51,162   | 51,162  | —  | 51,162  |
| Materials & logistics . . . . .                          | —  | 6,035  | 6,035   | —  | 6,035   |
| Marketing & sales . . . . .                              | —  | 68,514   | 68,514  | —  | 68,514  |
| Office expense . . . . .                                 | —  | 49,564   | 49,564  | —  | 49,564  |
| Other operating expenses . . . . .                       | —  | 1,571  | 1,571   | —  | 1,571   |
| Amortisation and impairments . . . . .                   | —  | 79,939   | 79,939  | (44,124)   | 35,815  |
| Depreciation and impairments . . . . .                   | —  | 268,014  | 268,014   | —  | 268,014   |
| Total operating expenses . . . . .                       | —  | 991,520  | 991,520   | (44,124)   | 947,396   |
| Operating income . . . . .                               | —  | 486,649  | 486,649   | 44,124   | 530,773   |
| Net financial income (expense) . . . . .                 | —  | (464,193)  | (464,193)   | 215,882  | (248,311)   |
| Result before income taxes . . . . .                     | —  | 22,456   | 22,456  | 260,006  | 282,462   |
| Net result of joint ventures and<br>associates . . . . . | —  | (168)  | (168)   | —  | (168)   |
| Income tax benefit (expense) . . . . .                   | —  | (7,784)  | (7,784)   | (65,002)   | (72,786)  |
| Net result for the year . . . . .                        | —  | 14,504   | 14,504  | 195,004  | 209,508   |
| Net result attributable to equity<br>holders . . . . .   | —  | 14,504   | 14,504  | 195,004  | 209,508   |

The accompanying notes to this income statement form an integral part to these pro forma condensed consolidated financial information.

**UNAUDITED PRO FORMA CONSOLIDATED STATEMENT OF FINANCIAL POSITION**

| <u>Amounts in thousands of €</u>                      | Ziggo N.V.<br>31 December<br>2011 | Zesko B.V.<br>31 December<br>2011 | Eliminations<br>as of<br>31 December<br>2011 | Consolidated<br>Ziggo N.V.<br>31 December<br>2011 | Pro forma<br>adjustments<br>(Note 2)<br>31 December<br>2011 | Pro forma<br>Consolidated<br>Ziggo N.V.<br>31 December<br>2011 |
|---|-----------------------------------|-----------------------------------|--|---|---|--|
|   | audited                           | audited                           | unaudited                                    | unaudited   | unaudited   | unaudited  |
| <b>ASSETS</b>   |                                   |                                   |  |   |   |  |
| Intangible assets . . . . .                           | —                                 | 3,359,736                         | —  | 3,359,736   | 44,124  | 3,403,860  |
| Property and equipment . . . . .                      | —                                 | 1,421,386                         | —  | 1,421,386   | —   | 1,421,386  |
| Investments in subsidiaries . . . . .                 | 43                                | —                                 | (43)   | —   | —   | —  |
| Other non-current financial assets . . . . .          | —                                 | 402                               | —  | 402   | —   | 402  |
| Deferred tax assets . . . . .                         | —                                 | 272,225                           | —  | 272,225   | (53,971)  | 218,254  |
| <b>Total non-current assets . . . . .</b>             | <b>43</b>                         | <b>5,053,749</b>                  | <b>(43)</b>                                  | <b>5,053,749</b>                                  | <b>(9,847)</b>  | <b>5,043,902</b>   |
| Inventories . . . . .                                 | —                                 | 32,180                            | —  | 32,180  | —   | 32,180   |
| Trade accounts receivable . . . . .                   | —                                 | 25,753                            | —  | 25,753  | —   | 25,753   |
| Other current assets . . . . .                        | —                                 | 26,813                            | —  | 26,813  | —   | 26,813   |
| Cash and cash equivalents . . . . .                   | 2                                 | 112,634                           | 43   | 112,679   | —   | 112,679  |
| <b>Total current assets . . . . .</b>                 | <b>2</b>                          | <b>197,380</b>                    | <b>43</b>                                    | <b>197,425</b>                                    | <b>—</b>  | <b>197,425</b>   |
| <b>TOTAL ASSETS . . . . .</b>                         | <b>45</b>                         | <b>5,251,129</b>                  | <b>—</b>                                     | <b>5,251,174</b>                                  | <b>(9,847)</b>  | <b>5,241,327</b>   |
| <b>EQUITY AND LIABILITIES</b>                         |                                   |                                   |  |   |   |  |
| Issued share capital . . . . .                        | 45                                | 20                                | (20)   | 45  | —   | 45   |
| Share premium . . . . .                               | —                                 | 36,647                            | (36,647)                                     | —   | 2,065,335   | 2,065,335  |
| Other reserves . . . . .                              | —                                 | (7,789)                           | —  | (7,789)   | —   | (7,789)  |
| Retained earnings . . . . .                           | —                                 | (1,090,562)                       | 36,667                                       | (1,053,895)                                       | 195,005   | (858,890)  |
| <b>Equity attributable to equity holder . . . . .</b> | <b>45</b>                         | <b>(1,061,684)</b>                | <b>—</b>                                     | <b>(1,061,639)</b>                                | <b>2,260,340</b>  | <b>1,198,701</b>   |
| Interest-bearing loans . . . . .                      | —                                 | 3,257,243                         | —  | 3,257,243   | —   | 3,257,243  |
| Interest-bearing loans from related party . . . . .   | —                                 | 2,281,218                         | —  | 2,281,218   | (2,281,218)   | —  |
| Derivative financial instruments . . . . .            | —                                 | 46,796                            | —  | 46,796  | —   | 46,796   |
| Provisions . . . . .                                  | —                                 | 24,886                            | —  | 24,886  | —   | 24,886   |
| Deferred tax liabilities . . . . .                    | —                                 | 382,780                           | —  | 382,780   | 11,031  | 393,811  |
| Other non-current liabilities . . . . .               | —                                 | 214                               | —  | 214   | —   | 214  |
| <b>Total non-current liabilities . . . . .</b>        | <b>—</b>                          | <b>5,993,137</b>                  | <b>—</b>                                     | <b>5,993,137</b>                                  | <b>(2,270,187)</b>  | <b>3,722,950</b>   |
| Deferred revenues . . . . .                           | —                                 | 115,876                           | —  | 115,876   | —   | 115,876  |
| Derivative financial instruments . . . . .            | —                                 | 10,267                            | —  | 10,267  | —   | 10,267   |
| Provisions . . . . .                                  | —                                 | 6,892                             | —  | 6,892   | —   | 6,892  |
| Trade accounts payable . . . . .                      | —                                 | 74,417                            | —  | 74,417  | —   | 74,417   |
| Other current liabilities . . . . .                   | —                                 | 112,224                           | —  | 112,224   | —   | 112,224  |
| <b>Total current liabilities . . . . .</b>            | <b>—</b>                          | <b>319,676</b>                    | <b>—</b>                                     | <b>319,676</b>                                    | <b>—</b>  | <b>319,676</b>   |
| <b>TOTAL EQUITY AND LIABILITIES . . . . .</b>         | <b>45</b>                         | <b>5,251,129</b>                  | <b>—</b>                                     | <b>5,251,174</b>                                  | <b>(9,847)</b>  | <b>5,241,327</b>   |

The accompanying notes to this statement of financial position form an integral part to these pro forma condensed consolidated financial information.

## NOTES TO THE UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL INFORMATION

### 1. Basis of preparation

Ziggo N.V. was founded on 1 April 2011. The principal activities of Ziggo N.V. ('the Company') are to participate in, to finance or to have any other interest in, or to conduct the management of, other companies and enterprises.

The unaudited pro forma condensed consolidated financial statements of the Company as of 31 December 2011 are based on the financial statements of the Company as of 31 December 2011 after giving effect to the intended contribution of the interest bearing loans from related party as share premium as described in the notes herein.

The unaudited pro forma condensed consolidated financial statements of the company for the year 31 December 2011 are presented as if the contribution of the interest bearing loans from related party as share premium had taken place on 1 January 2011 and was carried forward through 31 December 2011.

The unaudited pro forma condensed consolidated financial statements are not intended to represent or be indicative of the consolidated results of operations or financial position of the Company that would have been reported had the contribution of the interest bearing loans from related party as share premium been completed as of the dates presented, and should not be taken as representative of the future consolidated results of operations or financial position of the Company. The unaudited pro forma condensed consolidated financial statements do not reflect any cost savings that the Company may achieve with respect to the contribution.

### 2. Pro forma adjustments

The pro forma statement of income and the pro forma statement of financial position do not reflect an actual situation at the dates indicated.

The following pro forma adjustments would have a continuous impact and are therefore included in the unaudited pro forma condensed consolidated statement of income and in the unaudited pro forma condensed consolidated statement financial position as if they had occurred on January 2011:

#### (a) A decrease in amortization expenses in relation to customer relationships

In the first quarter of 2011, the Company analyzed the attrition of customer relationships connected to its network. It was noted that actual attrition of customer relationships over the period 2007-2010 was marginal, whereas initially it was assessed that the number of customer relationships would substantially decline over a period of 10 to 15 years. As a result, management believes it is no longer able to estimate the useful life of the customer relationships and consequently assessed it to be indefinite. The Company will annually test the customer relationships for impairment and will no longer amortize.

As a result, the pro forma adjustment for amortization charges of the Company for the financial year end amounted to €44.1 million.

#### (b) Contribution of the interest bearing loans from related party loan as share premium

An indirect parent company of Ziggo N.V., Even Investments II Sarl has provided the Company with the following two interest bearing loans that are intended to be contributed as share premium:

- i. A loan for an amount of €217.5 million (2010: €190.5 million), subject to 14.125% interest;
- ii. A loan for an amount of €2,063.6 million (2010: €1,874.7 million), subject to 10.08% interest.

In the unaudited pro forma condensed consolidated financial statement the loan is contributed as share premium as if this occurred on 1 January 2011, resulting in a reduction of interest bearing loans related party of €2,065.3 million with an equal increase in equity.

The contribution reduces interest expense of the Company in 2011 by €215.9 million.

(c) Income tax

The lower pro forma amortization and interest expense of the Company reduces the income tax benefit of the Company by €65.0 million. The deferred tax asset position is lowered by €54.0 million. The deferred tax liability position increased by €11.0 million.

The unaudited pro forma condensed consolidated financial statements should be read in conjunction with the:

- accompanying notes to the unaudited pro forma condensed consolidated financial statements;
- financial statements 2011 of Ziggo N.V.; and
- financial statements 2011 of Zesko B.V.

**ASSURANCE REPORT ON PRO FORMA FINANCIAL INFORMATION  
IN CONNECTION WITH A PROSPECTUS**

To the directors of Ziggo N.V.

**Assurance report**

*Introduction*

We have examined the pro forma financial information (the “pro forma financial information”), which has been compiled on the basis described in Note 1 and 2, for illustrative purposes only, to provide information about how the acquisition of Zesko B.V. and the transformation of shareholders loans in Zesko B.V. into share premium might have affected the financial information presented on the basis of the accounting policies adopted by Ziggo N.V. (the Company) in preparing the financial statements for the period ended December 31, 2011.

Management is responsible for the compilation of the pro forma financial information in accordance with the requirements of the Commission Regulation (EC) No 809/2004. Our responsibility is to express a conclusion as required by item 7 of Annex II of the Commission Regulation (EC) No 809/2004, as to the proper compilation of the pro forma financial information. In providing this conclusion we are not updating or refreshing any reports or opinions previously issued by us on any financial information used in the compilation of the pro forma financial information, nor do we accept responsibility for such reports or opinions beyond that owed to those to whom those reports or opinions were addressed by us at the dates of their issue and nor does the aforementioned conclusion require an audit of historical financial information on the assumptions summarized in the accompanying notes.

*Scope*

We conducted our examination in accordance with Dutch law, including Standard 3000, *Assurance Engagements Other Than Audits or Reviews of Historical Financial Information*. The work that we performed for the purpose of making this report, which involved no independent examination of any of the underlying financial information, including their adjustment to the Company’s accounting policies nor of the pro forma assumptions stated in the pro forma notes, consisted primarily of comparing the unadjusted financial information with the source documents, considering the evidence supporting the pro forma adjustments and discussing the pro forma financial information with Company’s management. We planned and performed our work so as to obtain the information and explanations we considered necessary in order to provide us with reasonable assurance that the pro forma financial information has been properly compiled on the basis stated and that such basis is consistent with the accounting policies of the Company.

*Conclusion*

Based on our examination, we conclude:

- the pro forma financial information has been properly compiled on the basis stated in Note 1 and 2; and
- that basis is consistent with the accounting policies of the Company as described in the notes to the financial statements of the Company for period ended December 31, 2011.

*Other matters*

*1 realization of future outcomes*

Because of its nature, the pro forma financial information addresses a hypothetical situation and therefore does not represent the Company’s actual financial position or results had the transaction or event occurred at the beginning of the reporting period.

*2 Restriction of use*

This report is required by the Commission Regulation (EC) No 809/2004 and is given for the purpose of complying with that Regulation and for no other purpose.

Amsterdam, 9 March 2012

Ernst & Young Accountants LLP  
Signed by F.J. Blenderman





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# Ziggo Digital TV Channels

## Additional Digital Pay TV Packages

### TV Extra

### TV Plus

### TV Standaard

#### Dutch top 10

Nederland 1 HD  
Nederland 2 HD  
Nederland 3 HD  
RTL 4 HD  
RTL 5 HD  
SBS 6 HD  
RTL 7 HD  
Veronica / Disney XD HD  
Net 5 HD  
RTL 8 HD

#### Film & Entertainment

Comedy Central / Kindernet  
13TH STREET  
NostalgieNet

#### Knowledge & Culture

Discovery Channel  
National Geographic Channel HD  
Animal Planet / TLC  
BravaNL  
Family 7  
GoedTV  
24Kitchen

#### Kids

Nickelodeon  
Disney Channel  
Disney XD

#### Sport

Eurosport HD

#### Music

MTV

#### International

één  
Ketnet / Canvas  
BBC 1  
BBC 2  
ARD  
ZDF  
NDR  
WDR  
RTL Television  
Sat. 1  
Arte  
TV5 Monde  
France 2  
Rai Uno  
TVE  
TRT Türk

#### News

Journaal 24  
Politiek 24  
CNN International  
BBC World News  
Euronews  
Aljazeera English

#### Ziggo

Ziggo TV  
Etalagekanaal  
Ziggo Event TV  
Promo Erotiek pakket  
Zenderoverzicht

#### Regional / local

Regional channels <sup>(1)</sup>  
Local channels

#### Film & Entertainment

MGM Movie Channel  
TCM (Turner Classic Movies)  
Crime & Investigation  
Zone Reality  
Humor TV 24  
101 TV  
OUTTV  
Best 24  
PassieTV / Dusk!

#### Knowledge & Culture

Discovery HD \* Showcase  
Animal Planet HD \*  
Travel Channel  
Geschiedenis 24  
Holland Doc 24  
Consumenten 24  
Cultura 24  
Spirit 24

#### Kids

Nick Jr.  
Cartoon Network  
JimJam  
Boomerang  
Baby TV  
Z@ppelin / Z@PP 24

#### Sport

Eurosport 2

#### Music

Slam! TV  
Lite TV  
VH-1  
VH-1 Classic  
192 TV  
TV Oranje  
Sterren 24

#### International

BBC 3  
BBC 4  
BBC Entertainment  
BBC HD \*

#### News

CNBC  
Weer en Verkeer

#### Film & Entertainment

RTL Crime  
Syfy Universal  
Investigation Discovery  
Comedy Central Family  
Comedy Central Extra  
RTL Lounge  
FOXlife HD  
E! Entertainment

#### Knowledge & Culture

Discovery Science  
Discovery World  
Nat Geo Wild  
Nat Geo Wild HD \*  
HISTORY  
HISTORY HD \*  
Mezzo

#### Kids

Disney Junior  
Nick Toons  
Nick Hits  
Pebble TV

#### Sport

ESPN AMERICA  
Motors TV

#### Music

MTV Live HD \*  
MTV Brand New  
MTV Music 24  
TV 538

#### Film1 package

Film1 Premiere HD  
Film1 Action  
Film1 Family  
Film1 Sundance  
Film1 Series

#### Sport1 package

Sport1 Live HD  
Sport1 Golf  
Sport1 Tennis  
Sport1 Extra 1  
Sport1 Extra 2  
Sport1 Extra 3

#### Film1/Sport1 package

Film1 Premiere HD  
Film1 Action  
Film1 Family  
Film1 Sundance  
Film1 Series  
Sport1 Live HD  
Sport1 Golf  
Sport1 Tennis  
Sport1 Extra 1  
Sport1 Extra 2  
Sport1 Extra 3

#### Hindi package

Zee TV  
SET Asia  
Zee Cinema  
SET Max

#### Eredivisie Live package

Eredivisie Live 1 HD  
Eredivisie Live 2  
Eredivisie Live 3  
Eredivisie Live 4

#### Turkish package

Euro D  
ATV Avrupa  
TGRT EU  
Samanyolu Avrupa  
Euro Star  
Show TV  
Habertürk  
Kral TV  
Planet Türk

#### Extended Turkish package (incl. Turkish package)

LIG TV  
Türk Max

#### Chinese package

Phoenix CNE  
Phoenix InfoNews

#### Erotic package

PassieXXX  
Private Spice  
Dusk!

#### HBO

HBO HD  
HBO 2 HD  
HBO 3 HD

#### Gay lifestyle package

X-MO  
OUTTV

\* Channels with the extension 'HD' are available in both SD and HD, except for channels with the extension 'HD \*'

<sup>(1)</sup> Subscribers receive the regional channels of their own region and surrounding regions

[www.ziggo.com](http://www.ziggo.com)

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