

Annual Report 2011



Growth
continues

Ziggo wants its customers to experience the largest possible convenience and fun in the field of information, communication and entertainment in a continually changing world.

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Ziggo at a glance



Ziggo at a glance

Performance

The Company recorded strong revenue growth from Digital Pay TV, including VoD, by 21.4% and in telephony usage by 9.7%.

Performance

Governance



Governance

Financial statements



Financial statements

Ziggo at a glance

Ziggo is a Dutch provider of entertainment, information and communication through television, broadband Internet and telephony services. The Company serves all of its 3.0 million customers with television, almost 2.2 million customers with digital television, about 1.7 million customers with broadband Internet, and over 1.3 million customers with telephony services. About 1.3 million customers are subscribed to our All-in-1 bundle.

Business to business customers use services such as data communication, telephony, television and Internet, which are provided over the same network. For home offices and small businesses, these services are provided through business bundles, such as Office Basis and Internet Plus.

The Company owns a next-generation network capable of providing the bandwidth required for all future services currently foreseen. Today we can provide 120 Mbps download speed throughout our service area and, with the current technology in place in the network, we can easily upgrade this to 400 Mbps.

The majority of the share capital of the Company is held by investment funds that are ultimately managed by two private equity firms: Cinven and Warburg Pincus.

Cinven

Cinven is a leading European buyout firm, founded in 1977, with offices in London, Paris, Frankfurt, Milan and Hong Kong. Cinven acquires European-based companies that require an equity investment by its funds of €100 million or more. Cinven's European focus and expertise are complemented by an ability to capitalise on global growth opportunities through its Asian office. The firm focuses on six sectors: Business Services, Consumer, Financial Services, Healthcare, Industrials, and Technology, Media and Telecommunications (TMT). Cinven acquires successful, high-quality companies and works with them to help them grow and develop, using its proven value creation strategies. Typically, Cinven holds its investments for between four to six years. The company takes a responsible approach towards its portfolio companies, its employees, suppliers and local communities, the environment and society as a whole.

Warburg Pincus

Warburg Pincus is a leading global private equity firm. The firm has more than USD 30 billion in assets under management. Its active portfolio of more than 125 companies is highly diversified by stage, sector and geography. Warburg Pincus is a growth investor and an experienced partner to management teams seeking to build durable companies with



Over 3 million customers receive their television signal (digital and analogue) from Ziggo.

In the summer of 2011, we upgraded all our customers to our new, significantly enriched and simplified television proposition.

sustainable value. Founded in 1966, Warburg Pincus has raised 13 private equity funds, which have invested more than USD 40 billion in over 650 companies in more than 30 countries. Warburg Pincus is focused on investing in growth opportunities across the Consumer, Industrial and Services (CIS), energy, healthcare, financial institutions and telecommunications, media and technology (TMT) sectors. The firm is headquartered in New York with offices in Amsterdam, Beijing, Frankfurt, Hong Kong, London, Luxembourg, Mauritius, Mumbai, San Francisco, Sao Paulo and Shanghai.

Our products

Television

Over 3 million customers receive their television signal (digital and analogue) from Ziggo. This represents a market penetration of 71.7% of homes passed in our service area. In the summer of 2011, we upgraded all our customers to our new, significantly enriched and simplified television proposition. Television from Ziggo now comes in three tiers, in which both analogue and digital channels are combined with interactive television options. We regard digital television as the standard.

We also offer our services to hospitals, hotels and student accommodation by concluding agreements with the commercial operators of these organisations through our TOM (custom-sized television packages) and TOMi TV propositions.

Internet

We have about 1.7 million broadband Internet customers, a market penetration of 46% in our service area.

The implementation of EuroDocsis 3.0 in 2009 enabled us to increase our Internet speed up to 120 Mbps. We are able to provide higher speeds and capacity in line with the development of the demand.

Telephony

We offer three telephone packages:

1. Telefonie Z1 'Basis' offers top-quality telephone services at a reasonable price and half-price calls to other Ziggo customers.
2. Telefonie Z1 'VolopBellen Avond en Weekend' offers unlimited free calls to fixed lines in the Netherlands in the evenings and during weekends.
3. Telefonie Z1 'VolopBellen Altijd' offers unlimited free calls at all times to fixed lines in the Netherlands, Belgium, Canada, Denmark, Germany, France, Ireland, Italy, Luxembourg, Norway, Portugal, Spain, Sweden, Switzerland, the UK and the USA (including Hawaii and Alaska).

Alles-in-1 (Bundles)

We have been providing a range of All-in-1 propositions since 2008, allowing customers to combine television, broadband Internet and telephone services in a single package. Over the years, this combination of quality and convenience has led to a strong growth in the number of triple play subscriptions. We currently have around 1.3 million bundle subscribers for the All-in-1 product.

Fact & figures

Connected households and businesses

3 million

Serving about 3 million households, home offices and small businesses, Ziggo is one of the largest providers of media and communication services in the Netherlands.

Digital TV customers

2.2 million

With over 2.2 million digital TV customers, we are the largest digital television provider, offering the best digital TV quality, in Standard Definition, 3D, High Definition and VoD.

Broadband Internet connections

1.7 million

With over 1.7 million broadband Internet customers, Ziggo is one of the leading companies in high-speed Internet connections up to 120Mbps.

Telephony customers

1.3 million

Over 1.3 million customers use Ziggo telephony.

Employees

2,376

Our dedicated employees work day in, day out to meet our customers' expectations.

Fibre network

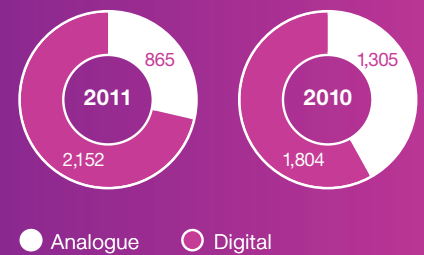
98%

The Ziggo Hybrid Fibre Coaxial (HFC) network consists of 98% fibre, extending on average to less than 300 metres from customer homes and offices, which are connected by a high-capacity coaxial cable.

Field of activity



Television subscriptions (in thousands)



Product overview (in thousands)

Homes passed



Total TV customers



Digital pay TV subscribers



Internet subscribers



Telephony subscribers



Total triple play



● 2011 ● 2010

Financial highlights

(in € thousands)	FY 2011	FY 2010	Change %
Revenues	1,478.2	1,375.7	7.4%
Cost of goods sold	291.1	265.0	9.9%
Gross margin	1,187.1	1,110.7	6.9%
	80.3%	80.7%	
Operating expenses	352.4	327.4	7.7%
Adjusted EBITDA¹	834.6	783.3	6.5%
Adjusted EBITDA as a % of revenue	56.5%	56.9%	
Integration costs	–	8.2	-100.0%
EBITDA^{2,9}	834.6	775.1	7.7%
Depreciation and Amortisation ¹⁰	348.0	502.7	-30.8%
Operating income	486.6	272.3	78.7%
Movement in provisions	-8.0	-5.8	37.9%
Change in net working capital	-6.8	-14.2	-52.3%
Cash flow from operating activities	819.9	755.2	8.6%
Capital expenditure	242.9	174.7	39.1%
As a % of revenue	16.4%	12.7%	
Capital expenditure on integration	–	27.5	-100.0%
Total capital expenditure (Capex)	242.9	202.2	20.1%
Acquisition	7.4	–	
Other cash used in investing activities	-0.5	-0.2	
Free cash flow	570.0	553.2	3.0%
As a % of revenue	38.6%	40.2%	
EBITDA-Capex	591.7	572.9	3.3%
As a % of revenue	40.0%	41.6%	

Operational highlights

Footprint ³	Dec 2011	FY 2010	Change %
(in thousands, unless otherwise noted)			
Homes passed	4,202	4,141	1.5%
Analogue TV only	865	1,305	-33.3%
Analogue and Digital TV ⁴	2,152	1,804	19.3%
Total TV customers	3,017	3,109	-3.0%
Digital pay TV subscribers	940	897	4.8%
Internet subscribers	1,685	1,556	8.3%
Telephony subscribers	1,349	1,166	15.7%
Total RGUs⁶	6,991	6,728	3.9%
Total RGUs consumer	6,854	6,622	3.5%
Of which bundle subscribers ⁵	1,261	1,079	16.9%
Total triple play	1,278	1,099	16.3%
RGUs per customer ⁷	2.35	2.19	7.3%
ARPU YTD (€ per month) ⁸	37.34	33.92	10.1%

- 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 €0.0 million and €4.2 million for the quarters ended on 31 December 2011 and 31 December 2010 respectively; EBITDA represents operating income plus depreciation and amortisation. Although EBITDA should not be considered a substitute for operating income and net cash flow from operating activities, we believe that it provides useful information regarding our ability to meet future debt service requirements;
- Operating data related to our footprint and Revenue Generating Units (RGUs) are presented as of the end of the period indicated;
- Digital television RGUs equals the total number of standard cable subscribers who have activated a smart card as of the periods indicated. As a result, digital television RGUs represents the number of subscribers who have access to our digital television services. In any given period, not all of these digital television RGUs will have subscribed to additional pay television services. As per 31 December 2011, 940,000 of our total digital television RGUs subscribed to one or more of our digital pay television services;
- Besides the 1,261,000 customers who have taken up the All-in-1 bundle, we have approximately 17,000 other customers who have subscribed to Analogue TV and/or Digital TV, Broadband Internet and Telephony on an individual product basis instead of an All-in-1 bundle;
- Total RGUs are calculated as the sum of total standard TV subscribers, digital pay TV subscribers, broadband Internet subscribers and telephony subscribers. Total RGUs for the Consumer market excludes the subscriptions for our Office Basis (17,500) and Internet Plus (6,000) products targeted at SOHO and small businesses and our collective TV contracts TOM and TOMi (representing 69,000 RGUs), as these coaxial products are serviced by our business division and revenues generated through these products are recognised as Business service revenues. These products represent 97,000 TV RGUs, 23,000 Internet RGUs and 17,000 Telephony RGUs;
- RGUs per customer is the total number of RGUs for the Consumer market divided by the total number of TV subscribers for the Consumer market;
- Average Revenue per User (ARPU) for the consumer market is calculated as the sum of total standard TV, digital pay television, broadband Internet, telephony (including call charges) and All-in-1 subscription revenues generated in the Consumer market for the period divided by the number of months used and divided by the period's average monthly total standard TV RGUs. It excludes installation fees and set-top box sales;
- Ziggo acquired @Home in February 2007 through its subsidiary Amsterdamse Beheer- en Consultingmaatschappij B.V. Employees of @Home were entitled to a long-term employee benefit plan called PRES-arrangement. Upon acquisition, this specific employee benefit was continued by Ziggo 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 – IFRS treatment of long-term employee benefits) Ziggo recognises this liability in the statement of financial position. As a result, in its financial statements for 2010, Ziggo restated the statement of financial position as at 1 January 2009 and as at 31 December 2009. Provisions increased by €14.4 million and retained earnings decreased by €10.7 million. In order to reflect the quarterly changes in this liability, the income statement for 2010 was adjusted on a quarterly basis. The impact on EBITDA for the 4th quarter of 2010 compared to previously disclosed results amounts to +€0.2 million. The year-to-date impact is +€1.1 million.
- As of the second quarter in 2011 we no longer amortise our customer list. The capitalised customer list resulted from the acquisition of the three predecessor businesses. Based on a new analysis we updated the assessment of the attrition of customer relationships connected to our network. It was concluded that the useful life of customer relationships connected to our network is indefinite as the attrition is marginal. As a consequence, we will no longer incur amortisation expenses related to our customer relationships, which are now subject to annual impairment testing. Hence, during the fourth quarter the amortisation of other intangibles amounted to nil (Q4 2010: €45.0 million).

Chairman's statement*

Andy Sukawaty
Chairman



“Ziggo reported the highest number of net adds for broadband Internet since the inception of the Company.”

It was another successful year for Ziggo in 2011. This success came in many forms: world-leading services delivered to our Dutch customers, opportunities for staff to grow in exciting ways with the Company and strong operational and financial performance to support our investors.

The Company was consistent in executing to a proven strategy, focused on expanding to the higher performance bundles with our existing bundle customers and migrating our customers from analogue TV to our digital TV platform. This has again resulted in substantial increases in Revenue Generating Units (RGUs) and new customers for our triple play and digital TV platform, leading to increased market share and higher average revenue per customer. It was also a breakout year for our business to business (B2B) growth, which is now growing at an even higher rate than our consumer businesses. This again was due to a focus on specially designed bundles for the small home office (SOHO) and the small- and medium-sized enterprises (SME).

After a solid 2010, Ziggo has continued to improve and build on these successes in 2011. The company has worked hard to improve, simplify and enrich its TV offering. We have also taken the first steps in adding wireless mobility service to enhance our fixed location service offerings. We have continued to innovate by adding services such as 'Ziggo TV App 2.0' for iPad and iPhone users. In addition, we've launched a number of successful marketing campaigns that accelerated the growth in subscribers to triple play bundles and digital TV. This has provided our customers with both higher quality and more TV content, resulting in better value in TV services from Ziggo. Especially encouraging is that Ziggo reported the highest number of net adds for broadband Internet since the inception of the Company.

We can also report that as a result of this growth, coupled with prudent cost control and financial management, Ziggo has strengthened its financial position in 2011; by increasing revenues (7.4%), controlling costs and investing capital strongly, but prudently, in enhanced services, network capacity and an acquisition in Business Services. As a result our EBITDA increased by 7.7% and our free cash flow increased by 3%. We were able to reduce our leverage to 3.87 times our EBITDA, which has put the Company on a solid financial footing.

Although Ziggo is now benefiting from investments made previously, we acknowledge that we are in an industry that constantly changes, driven by technology improvements, competition and customer expectation. Every year we must bring new innovations to market and improve services. Therefore, investments in network, systems and customer service improvements will continue in order to allow us to continue to deliver market-leading new services that our customers have now come to expect from Ziggo.

The Supervisory Board is confident that Ziggo is well positioned to deliver on its objectives for the future: we would like to thank our investors and staff respectively for continuing to support investments and service improvements at Ziggo. The capability to deliver world-leading services for our customers is there and will be enhanced further in the years ahead.

Andy Sukawaty, Chairman

February, 2012

* Ziggo Bond Company B.V. does not have a Supervisory Board. The Chairman's statement of the Supervisory Board of the Company's ultimate parent company Zesko Holding B.V. is included in this annual report as a reference.

CEO statement

Bernard Dijkhuizen
CEO

“The commitment and enthusiasm of the employees of Ziggo is crucial and I am proud to see that we experience a high level of loyalty.”



The year 2011 was yet another year of growth for Ziggo. We grew significantly in revenue as well as in EBITDA, driven by bundles and digital pay TV. Also the renewed focus for the B2B market on the small- and medium-sized enterprises paid off with a growth of almost 13% in 2011. With attractive business bundles we more than doubled our installed base in this market segment to over 23,500 customers.

Digital Television has always been one of the cornerstones of our market approach. In 2011 we launched a new, market-leading Television proposition, making digital the de facto standard, including many channels in HD and including on demand content on all subscription levels. In combination with our bundles, digital TV penetration keeps growing.

The competitiveness of the market for television was confirmed by the Dutch telecom regulator (OPTA), who concluded at the end of June, after thorough analysis, that the TV market is sufficiently dynamic and does not require regulation.

Although we were very successful in our market, the year was not without its challenges. The summer period was particularly busy. Due to a combination of successful

campaigns and high growth, the launch of our new Television proposition and the roll-out and swapping of modems with WiFi router functionality, our customers needed more support from us, driving up the call volume and investments in our customer service.

The commitment and enthusiasm of the employees of Ziggo is crucial and I am proud to see the high level of loyalty, ambition and energy needed to achieve our goals.

Throughout the year we continued to invest both in the quality of our people and in our infrastructure and IT to ensure that Ziggo is ready for new market developments and customer demand and is well positioned for further growth.

Bernard Dijkhuizen, CEO

February, 2012

Ziggo's strategy

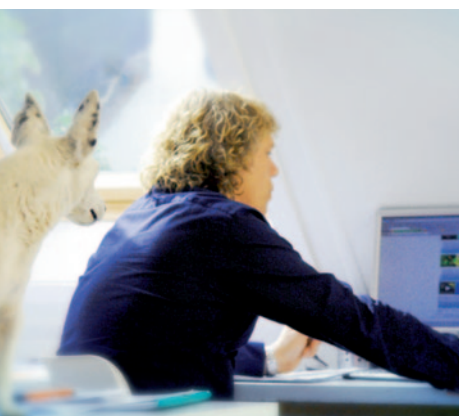
Our strategy is centred around leveraging our superior HFC network to offer higher value media and entertainment services at attractive prices to our customers in order to further increase product market shares and market penetration.

Network

The basis of this strategy lies in Ziggo's core strength: its fully-owned, EuroDocs 3.0 enabled HFC network with fibre very close to the customer, on average within less than 300 metres. This best-in-class network allows us to offer the best TV proposition in the market and the highest Internet speeds (up to 120Mbps) throughout our footprint. The resulting cross-selling opportunities support further penetration of the All-in-1 bundle and digital pay TV.

The consumer segment and continuous network and product innovation

Innovation is an important driver for new growth opportunities and it strengthens our leading position in the Dutch telecom 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 to expand our comprehensive, high-quality offering of standard digital and HD channels, VoD, interactive TV ('iTV') and 'Catch-up TV' services. We also intend to use a multi-screen approach to provide 'TV Everywhere' services for multiple devices, such as PCs, tablets and smart phones. The introduction of our TV App 2.0, allowing customers to watch television on a tablet through a Ziggo Internet connection, is an unambiguous testimony of what Ziggo believes content consumption is developing into. In an auction in 2010, the Company acquired four national mobile licenses totalling 2x20 MHz in the 2.6 GHz spectrum band through a joint venture with UPC for approximately €1 million. We are examining the possibility of offering mobile services by leveraging our existing HFC infrastructure using our high-speed modem/WiFi routers in homes and offices, possibly supplemented by WiFi coverage in public places. We have also recently signed an MVNO contract to allow us to offer full mobile services through the operator's radio access network in the Netherlands. These mobile services plans and related investments underscore our belief that offering connectivity to our customers, using various types of infrastructure, will become increasingly important in the coming years.



Our target is to become the company that ranks highest in terms of customer satisfaction in the Dutch telecom industry.

Innovation is an important driver for new growth opportunities.

Business segment

In addition to the consumer segment, we aim to further grow our business segment. After the repositioning of our B2B operations in 2010 to focus on the home offices and small enterprises, this division has gained substantial momentum. Over our EuroDocsis 3.0 enabled HFC network, we can cost-effectively provide high-speed broadband Internet and fixed-line telephony services without significant capital investment and at prices that are competitive in the market. Since the introduction of the 'Office Basis' and 'Internet Plus' business bundles, supported by extensive commercial campaigns, the B2B division has been very successful, more than doubling its installed base of business bundles in 2011. By acquiring Breezz in October 2011 we expanded our addressable market, given that we can now service medium sized companies more competitively. The acquisition enabled us to extend our product portfolio by adding multiline hosted VoIP telephony services, a combination which is very attractive for medium-sized companies (10-30 employees).

Customer service

Operating a robust customer relations function is key to being successful in both the consumer and the B2B segments. It is a precondition for improving customer service and retention at all customer contact points, including customer service centres, Ziggo engineers and the online portal. Because of this fundamental importance, we have permanently increased our investments in customer service over the last years. We will continue to monitor our performance on a daily basis going forward and look for further improvements in order to achieve our target of becoming the company that ranks highest in terms of customer satisfaction in the Dutch telecom industry.

Capital returns

It is our belief that the strategy of further leveraging our superior HFC network through offering innovative high value added services, combined with continuously improving our brand value as a media and entertainment company ensures that Ziggo is well positioned to capture the growth potential in the market. Our scalable cost base and network efficiency allow for leading operating free cash flow generation to drive attractive capital returns.

Bringing TV

Times when the whole family gathered in the living room at 20:30 to watch a TV show together are a thing of the past. Nowadays, TV is tailored to individual tastes.

A tablet computer makes an ideal TV guide.
But can be used for watching favourite TV shows
somewhere around the house, too.



3D TV is here to stay!
Ziggo plans to
bring more and
more 3D content to
people's homes.



TV proposition

In the summer of 2011, we upgraded all our customers to our new, significantly enriched and simplified television proposition. Television from Ziggo now comes in three tiers, all on both analogue and digital channels and are combined with interactive television options. We regard digital television as the standard.

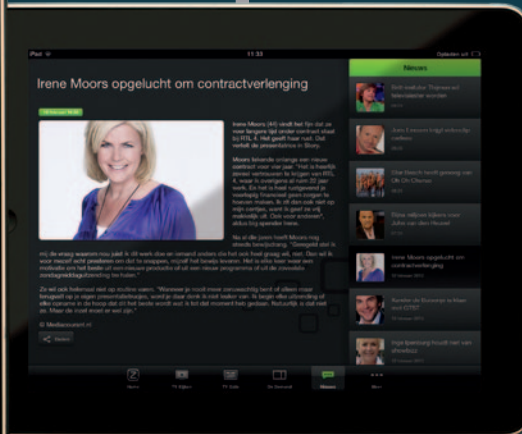
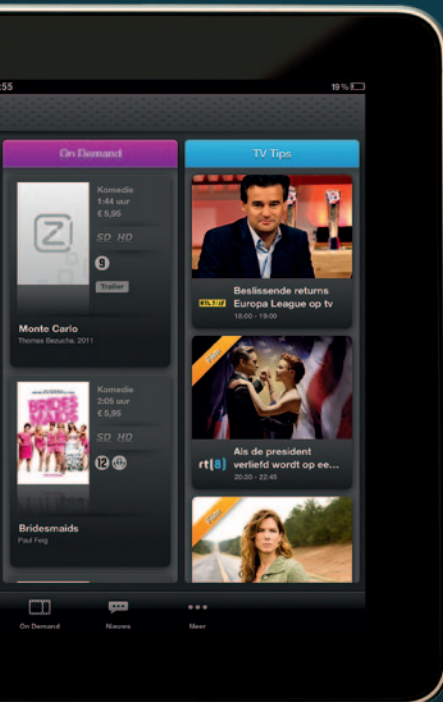
The new TV proposition launched in September consists of a number of changes: the structure of our digital television offering was simplified and now consists of three tiers: 'TV Standard', 'TV Plus' and 'TV Extra'.

We will continue to expand our comprehensive, high-quality offering of standard digital and HD channels, VoD, interactive TV ('iTV') and 'Catch-up TV' services. We also intend to use a multi-screen approach to provide 'TV Everywhere' services for multiple devices, such as PCs, tablets and smart phones.

closer



Smart phones can be used to record favourite programmes from anywhere, anytime.



TV App

The introduction of our TV App 2.0, allowing customers to watch television on a tablet through a Ziggo internet connection, is a clear indication of where Ziggo believes content consumption is developing towards.

In December, version 2.0 of the popular TV App for iPad and iPhone was launched. This new version allows our internet customers to instantly watch the ten most popular Dutch TV channels live in near-HD quality over WiFi. The Ziggo TV App is a good first example of our strategy to provide our customers with all relevant content on any device, **at any moment**.

The multitude of buttons on modern remotes indicate worlds of possibilities.

Performance Operating review

Operations

Over the full year, Ziggo added 232,000 new subscriptions in the consumer market on balance. At the end of December 2011, total consumer RGUs reached 6.85 million, an increase of 3.5% compared to the previous year. Partly driven by the launch of the new TV packages in September and attractive promotions, including an offer to purchase an HD- and/or interactive receiver, 348,000 subscribers activated their digital smartcard during the year, bringing the total number of customers with Digital TV to 2.15 million. This is an increase of over 19% compared to last year, representing a penetration of approximately 74% of our customer base, versus 60% at the same time last year.

Products & Services

In the first quarter we announced the outline of our new television proposition during a press briefing, which included new TV packages, Pay-per-Event and TV on the iPad. The Pay-per-Event option gives customers the opportunity to order their favourite football match online without a monthly subscription fee. Pay-per-Event was launched in April and increased in popularity towards the end of the football season, with a peak in interest on the last day of the Dutch football season. More than 50,000 subscribers ordered the Ajax-FC Twente match on a Pay-per-Event basis.

The new TV proposition launched in September consists of a number of changes: the structure of our digital television offering was simplified and now consists of three tiers: 'TV Standard', 'TV Plus' and 'TV Extra'.

The standard TV package was enriched by adding more HD channels and interactive television without a change in price. The Plus and Extra packages have a broader range of content: more channels, more HD channels, more interactive functionality like catch-up TV, and a larger VoD library. On top of these three main packages, customers can order additional premium TV packages like Eredivisie Live (live Dutch Premier League football matches), Sport1, Film1 and Turkish, Hindu, Chinese and Adult packages. In order

to free up capacity for adding this substantially higher number of channels available in HD, the number of analogue channels was reduced from 30 to 25.

Earlier in the year, we announced our plans to increase Internet speeds for our customers, which further widens the gap with DSL providers. As at 1 April, the download speed for the Basic bundle went up from 2Mbps to 10Mbps, for the Plus bundle the download speed increased from 22Mbps to 40Mbps and for the Extra bundle from 50Mbps to 120Mbps. The speed increases without price rises were received well and resulted in an uptake in subscriptions for our Internet products and bundles in particular. As part of the speed increase, we swapped 346,000 EuroDocsis 2.0 modems for dual-band EuroDocsis 3.0 modems that enable the highest Internet speeds for our customers, including 274,000 EuroDocsis 3.0 modems that have integrated WiFi functionality. By the end of the year we had 995,000 EuroDocsis 3.0 modems activated at the customer premises, of which 423,000 were WiFi-enabled. Originally, we had planned to swap 430,000 EuroDocsis 3.0 modems in 2011. Due to a huge increase in call centre activity as a result of the success of our 'overstapweken' (switching weeks) campaign as well as the assistance required by our customers to activate WiFi functionality and the introduction of the new TV proposition, it was decided to slow down the modem swap to 346,000 by year-end 2011.

Following the successful switching weeks campaign in 2010, we launched this campaign again in June 2011. This extensive campaign, supported by a broad advertising campaign, was again very successful, attracting many new triple play subscribers and resulting in a strong growth in RGUs in the third quarter.

During the first half of 2011, Ziggo received two different awards from the independent Dutch consumer organisation (Consumentenbond) with regard to the quality of its services. Firstly, Ziggo was named best overall digital TV provider in the Netherlands, the result of a consumer survey amongst

a large group of digital TV customers. Secondly, Ziggo ranked as third best Internet provider on the Dutch market and was specifically awarded for having achieved the most progress.

On 23 June, the Dutch telecom regulator Opta (Independent Post and Telecommunications Authority of the Netherlands) presented its draft opinion with regards to the regulation of fixed-line telephony, television, Internet access and business network services in the period from 2012 up to and including 2014. In this triennial review, Opta announced that due to, among others, the progression of digitisation and its positive effect on market dynamics and competitiveness and new product development, it would not impose regulation on the television market.

In August, we opened our third and largest Ziggo Studio, in The Hague. This store, with a focus on services, sales, entertainment and customer experience, is a valuable addition to the existing service and sales channels. The Ziggo Studios offer our customers an excellent opportunity to experience the possibilities of our products and services.

On 21 September, we announced the launch of the Entertainment Experience. This unique project, initiated and supported by Ziggo, 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 the internationally renowned film director Paul Verhoeven, will select scriptwriters, musicians, moviemakers and editors and will also make its own version. This film project will result in two different versions; one directed and cast by the team led by Paul Verhoeven and one version entirely made and created by the audience. The movie's premiere will be broadcast on TV.

In the B2B market, we announced, together with UPC Nederland, a partnership with the Dutch umbrella association for small and medium-sized enterprises (MKB-Nederland). One of its main objectives is to raise awareness of the added value of broadband Internet connections for businesses. The three parties will jointly support small and medium-sized companies in the Netherlands by showing the attractive opportunities of services such as VoIP, cloud services, online payment possibilities for the retail sector and videoconferencing.

In December, version 2.0 of the popular TV App for the iPad and iPhone was launched. This new version allows our Internet customers to instantly watch the ten most popular

Dutch TV channels live in near-HD quality over WiFi. The Ziggo TV App is a prime example of our strategy to provide our customers with all relevant content on any device, at any time.

In that same month, HBO and Ziggo were given the green light by the European Commission for the establishment of a new joint venture for the Dutch market. This joint venture will provide wholesale pay TV services, including premium film and TV series, to Dutch TV operators. Ziggo will become the first media and entertainment company in the Netherlands to offer HBO premium channels to its subscribers: three 24-hour linear HD channels and HBO's VoD service. As part of our 'TV everywhere' strategy, these services will also be made available for wireless viewing on PCs, tablets or smart phones.

The Ziggo TV App is a prime example of our customer strategy.

In the B2B segment, we more than doubled the number of bundle services provided in a single year to a total of 23,500. In October, we completed the acquisition of Breezz, a provider of innovative VoIP telephony services that caters to an extensive network of resellers. This acquisition has enabled Ziggo to add hosted VoIP multi-line telephony services to its existing product portfolio for small- and medium-sized companies (typically up to 30 telephony lines as a replacement for ISDN30, but scalable and flexible to increase to any larger number).

In the fourth quarter, we were presented with a number of prizes and awards. For the second consecutive year, Ziggo was awarded the 'Golden Spanner', as more than 33% of the registered Tweakers.net users (an Internet and consumer electronics-related website) voted Ziggo the best Internet provider in the Dutch market.

Additionally, Ziggo won the Data Centre Leaders' Awards 2011 in the category 'Innovation Micro-Data Centre'. The jury considered that the construction of Ziggo's micro-data centre represented an innovative demonstration of sustainable construction methods, achieving a considerable reduction in energy usage and environmental impact. The other nominees were all well-known foreign companies or institutions: Ford, MPTE and Brighton University.

Financial review

Revenue

We generated revenues of €1,478.2 million in 2011, up 7.4% from 2010 (€1,375.7 million). Revenue excluding the sale of set-top boxes increased by 7.3%. Revenue growth was driven mainly by sustained growth in RGUs, blended ARPU and growth in the B2B market.

Consumer market revenues grew 7.1%, to €1,390.5 million in 2011. Excluding the sale of decoders, consumer revenue increased by 6.9%. This was driven primarily by an increased uptake of our All-in-1 bundle, which increased the number of triple play customers by 16.3%, driving growth in Internet and telephony subscriptions by 7.6% and 15.2%, respectively. In addition, the Company recorded strong revenue growth from Digital Pay TV, including VoD, by 21.4% and in telephony usage by 9.7%. Revenue generated through our All-in-1 bundle rose 45.9%, from €402.2 million in 2010 to €587.0 million in 2011, now representing 42.2% of total consumer revenues, compared to 31.0% last year. In 2011, we achieved quarter-on-quarter revenue growth from subscriptions for each quarter.

Blended ARPU for the full year 2011 was €37.34, an increase of €3.42 (10.1%) compared to the previous year. The increase in blended ARPU was attributable to 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 and telephony usage compared to the previous year. Growth in Digital Pay TV and VoD was supported by the introduction of our new TV proposition in September, providing all our TV customers with Digital TV access to our library of films and series. Also, the number of customers with an interactive set-top box more than doubled to over 230,000 after successful promotional campaigns during 2011. We experienced a strong increase in VoD, specifically in the fourth quarter, but the uptake of VoD is still at an early stage. Finally, ARPU also increased following the annual general price increases in Q1 2011. They were €0.50 (€0.42 excl. VAT) for our standard TV subscription as at 1 February 2011 and for our All-in-1 bundle as at 1 March 2011.

Our business services activities realised revenues of €87.7 million in 2011, up 13.3% from the previous year's figure of €77.4 million. This includes a €1.5 million revenue

contribution from Breezz, a company offering hosted multiline VoIP telephony services which was acquired in October 2011 and consolidated as of 1 October. Excluding the revenue contribution from Breezz, revenue from business services grew by 11.4% compared to 2010. During the year, Ziggo doubled the number of subscribers to the B2B bundle products 'Internet Plus' and 'Office Basis' by adding over 12,000 new subscribers, to reach a total of 23,500 by 31 December 2011. This increase further validates our decision in 2010 to refocus our business services strategy around a product portfolio aimed at the small and medium-sized companies segment, leveraging the strength of our infrastructure. The roll-out of EuroDocs 3.0 across our entire network, which was completed in 2009, enables us to offer this market highly attractive high-speed Internet and high-quality telephony services.

In 2011 the number of customers with an interactive set-top box more than doubled.

Cost of goods sold

Cost of goods sold includes the costs of materials and services directly related to revenues. It consists of author rights, signal costs and royalties paid to procure our content, interconnection fees that we pay to other network operators, materials and logistics costs relating to the sale of set-top boxes and materials used to connect customers to our network.

Cost of goods sold increased by 9.9% to €291.1 million in 2011, chiefly reflecting the higher number of set-top boxes shipped to our customers as well as higher costs of content due to the growth in digital television and paid digital television. The gross margin for 2011 was 80.3%, edging down 0.4 percentage points from 2010 (80.7%). Although the gross margin on telephony usage improved, this was more than offset by a relatively higher growth of Paid Digital TV, which has a lower gross margin compared to our other services. In addition, we shipped approximately 410,000 set-top boxes and CI+ modules in 2011, versus approximately 330,000 in 2010. The majority of the set-top

boxes shipped in 2011 were iTV and HD decoders, whereas in 2010 the majority were SD decoders. The boxes are typically shipped at a negative gross margin as part of our promotional campaigns to support further penetration of Digital TV and triple play. This is considered an investment in our customer base.

Operating expenses

Operating expenses (excluding integration costs) increased by €25.0 million or 7.7% to €352.4 million in 2011 from €327.4 million in 2010. As a percentage of revenue, operating expenses remained stable at 23.8%, despite a rise in marketing & sales expenses, which increased by 10.3% from €62.1 million in 2010 to €68.5 million in 2011.

Personnel costs (excluding integration costs) increased by €10.1 million, or 6.1%, to €175.6 million in 2011, up from €165.5 million in 2010. This was caused mainly by a 7.9% increase in headcount and an increase in the average salary costs by approximately 4%. The increase in personnel costs was partly offset by a €2.6 million increase in capitalised personnel expenses. Costs of external resources and temporary resources remained stable. By the end of the year, we employed 2,895 employees (expressed in full-time equivalents), compared to 2,688 in 2010. Excluding external and temporary employees, we employed 2,376 employees, compared to 2,203 in 2010. The majority of the increase in headcount was realised in the second half of the year.

The increase in headcount was driven by the growth in the installed base of RGUs, resulting in an increase in maintenance and installation duties for our customer services department, and an increase in call volumes in our call centres. Call volumes increased in particular in the second half of 2011, since the start of the modem swap, and due to the increase in RGUs following the successful summer campaigns. In addition, the higher headcount was due to investments in innovation, such as preparations for adding mobile services to core infrastructure and supporting systems and innovations for our TV proposition. The projects related to these innovations were launched in the third quarter, contributing to a relative higher increase in headcount in the second half of the year.

The costs of contracted work (excluding integration costs) increased by €8.2 million, or 19.1%, to €51.2 million, compared to €43.0 million in 2010. This increase was mainly the result of the growth in activities in our customer services department, as well as an increase in customer maintenance

and installations at customer premises. Following the successful campaigns this summer, the introduction of the new TV proposition, the start of the modem swap and the increased use of interactive set-top boxes and VoD, activities in customer services increased considerably compared to 2010. In the fourth quarter, we improved our customer service levels and performance in comparison to the peak activity level in our customer services in the third quarter. The improvement was achieved by allocating a larger number of internal resources and increasing staffing at the call centre partners supporting the increased activity in our customer base.

Furthermore, maintenance activity in our network and technology increased as a result of the growth in RGUs and higher capacity of our network and infrastructure.

The costs of marketing & sales increased by €6.4 million, or 10.3%, to €68.5 million in 2011, compared to €62.1 million for 2010. The cost increase resulted mainly from growth in spending on marketing and promotional campaigns to support a further growth in Digital TV and further uptake of our All-in-1 bundle. In addition, we increased spending on branding and on positioning Ziggo as a premium media and entertainment company.

Office expenses and other operating expenses (excluding integration costs), were unchanged in absolute terms.

Adjusted EBITDA and operating profit

We realised an adjusted EBITDA of €834.6 million in 2011, an increase of 6.5% compared to €783.3 million in 2010. Adjusted EBITDA margins held up, edging down from 56.9% to 56.5% despite a substantially higher number of set-top boxes shipped at a negative gross margin and a higher share of more expensive iTV and HD set-top boxes. The decrease is primarily the result of a slightly lower gross margin percentage, while operating expenses as a percentage of revenue were kept at the same level as in 2010. Adjusted EBITDA excludes integration expenses. As at year-end 2010, the integration of the three predecessor companies of Ziggo was finalised. There were no integration expenses in 2011, versus €8.2 million in 2010. Including the costs of integration, EBITDA increased by 7.7%.

Depreciation and amortisation of software in 2011 decreased by €18.7 million to €303.8 million from €322.6 million in 2010. This decrease is the result of high historical network and infrastructure investments as well as investments related

to the merger, which led to relatively high depreciation expenses in recent years.

As from April 2011, we no longer amortise our customer list. The capitalised customer list resulted from the acquisition of the three predecessor businesses. Based on a renewed analysis we updated the assessment of the attrition of customer relationships connected to our network. It was concluded that the useful life of customers connected to our network is indefinite, as attrition is marginal. As a consequence, we will no longer incur amortisation expenses related to our customer relationships, but annually test the asset for impairment instead. Hence, during 2011 amortisation of other intangibles amounted to €44.1 million, against €180.2 million in 2010.

As a result of the improved EBITDA, lower depreciation expenses, lower amortisation on software and discontinued amortisation of our customer list, operating income (EBIT) improved by 78.7% to €486.6 million, compared to €272.4 million in 2010.

Net result

Interest expenses decreased to €256.6 million in 2011 compared to €270.0 million last year. In 2011, €9.4 million was allocated as borrowing costs on Work-in-Process, resulting in an interest credit, compared to €13.2 million in 2010. Excluding borrowing costs, interest costs decreased by €17.3 million, or 6.1%.

A reduction in our average debt by €300 million and a reduction of the blended interest rate since the fourth quarter of 2011 brought down our interest expenses compared to 2010. As at the end of Q3 2011, some of our interest rate swaps and all of our offsetting swaps had expired. As a result, the blended interest rate came down by more than one percentage point in the fourth quarter, while the percentage of our floating rate borrowings hedged has dropped to 72% in the fourth quarter from approximately 100% in the third quarter, bringing down the overall blended interest rate for 2011.

Banking and financing fees decreased by €15.4 million from €17.8 million in 2010 to €2.4 million in 2011. In 2010 we paid €15.1 million consent fees to the lenders of the senior debt in order to obtain consent for the issuance of the senior unsecured notes to refinance the mezzanine facility in Q2 2010.

The amortisation of funding cost decreased by €39.3 million to €14.4 million, compared to €53.7 million in 2010.

During 2010 we fully amortised the remaining balance of the capitalised funding costs for the mezzanine facility of €11.4 million as this facility was refinanced by the issuance of the senior unsecured notes in Q2 2010. In addition, the refinancing of part of our senior debt in the fourth quarter of 2010 by the issuance of €750 million secured notes resulted in an additional amortisation of funding costs of €24.6 million in 2010.

As Ziggo no longer complies with the requirements for hedge accounting for interest rate swaps under IFRS since the fourth quarter of 2010, any future change in fair value is recognised as financial income and expense. During 2011, we recorded a gain of €26.2 million, which is predominantly the result of the negative mark-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 recognised as a result of the increase of the US dollar against the euro. Part of our purchases are denominated in US dollars, such as set-top boxes and certain network equipment.

We recorded an income tax expense of €59.9 million for the year 2011, against an income tax benefit of €25.2 million in 2010.

In 2011 Ziggo reported a net profit of €178.3 million, representing an improvement from a net loss of €51.2 million for 2010.

Cash flow and liquidity

Cash flow provided by operating activities

EBITDA including integration costs increased by 7.7%, whereas net cash flow from operating activities increased by 8.6% to €819.9 million, compared to €755.2 million in 2010. This is mainly due to a smaller increase in working capital and provisions in 2011 compared to the previous year. In 2011, Ziggo recorded an increase in net working capital of €6.8 million compared to €14.2 million in 2010 and a cash outflow from the movement in provisions in 2011 by €8.0 million, while in 2010 the change from the movement in provisions resulted in a cash outflow of €5.8 million.

Capital expenditure (Capex)

Our capital expenditure relate primarily to extending, upgrading and maintaining our network and installation of new customers, as well as the cost of cable modems.

Capital expenditure also includes increases in intangible assets, primarily expenditures on software, which we capitalise. Set-top boxes are sold to customers and therefore recognised as cost of goods sold and not capitalised.

In 2011, Ziggo recorded capital expenditure of €242.9 million, an increase of 20.1% compared to capital expenditure, including integration, of €202.2 million in 2010. The increase is primarily due to the accelerated growth and installation of new subscribers for our high-speed Internet and interactive TV, 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 the year we swapped approximately 346,000 EuroDocsis 2.0 modems for dual-band EuroDocsis 3.0 modems that enable the highest Internet speeds for our customers, including 274,000 EuroDocsis 3.0 modems that have integrated WiFi functionality. By the end of the year, we had 995,000 EuroDocsis 3.0 modems activated at the customer premises, of which 423,000 were WiFi-enabled.

Capex in €m	FY 2011	% of total	FY 2010	% of total
Customer installations	75.2	31%	40.8	23%
Network growth	131.5	54%	102.8	59%
Maintenance and other	36.2	15%	31.1	18%
Capex (excl. integration)	242.9	100%	174.7	100%
Integration			27.5	
Total Capex	242.9		202.2	

In 2011, 31% of the capital expenditure was related to customer installations and modem installations at customer premises (approximately 23% in 2010). Capital expenditure on customer installations grew by 84% compared to 2010, mainly as a result of the modem swap and an increased number of new subscriber installations for our high-speed Internet and interactive TV.

Network growth represents 54% of our capital expenditure for 2011 and is related to newbuild and growth of our network capacity to accommodate our increased subscriber base for broadband Internet and the continuously increasing broadband speed requirements (approximately 59% of total capital expenditure in 2010). Capital expenditure on network growth increased by 28% compared to 2010. The increased popularity of tablets and smart phones leads to a rapid increase in mobile data usage. As between 60-70% of this usage is in and around homes and offices, a substantial part of this traffic is routed through the access network and backbone of the existing fixed-line operators. Over the last years, for instance, we have seen an increase of Internet traffic and capacity requirements of more than 40% per annum, which requires additional investments in our backbone capacity to facilitate this traffic increase. We believe this trend will continue and could potentially even accelerate by the increased usage of mobile data such as video.

The remainder of our capital expenditure represents maintenance and replacement of network equipment and recurring investments in our IT platform and systems and other investments. In 2011, investments in this category increased by over 16% compared to 2010, mainly as a result of investments in our core infrastructure and systems to facilitate the addition of mobility to our existing product portfolio and TV-everywhere. We launched this investment programme in the final quarter of 2011.

In 2010, €27.5 million was spent on integration.

In October, we completed the acquisition of Breezz, for a total cash consideration of €7.4 million. Combined with the capital expenditure, the net cash outflow from investing activities amounts to €250.3 million compared to €202.2 million in 2010, representing an increase of 23.8%.

Operational free cash flow

Operational free cash flow (OpFCF, or EBITDA minus Capex, excluding acquisitions) was up 3.3% compared to the previous year, driven by a 7.7% growth in EBITDA, largely offset by a 20.1% increase in capital expenditure.

Free cash flow and net cash used in financing activities

Free cash flow for 2011 increased by 3.0%, although total capital expenditure, including the acquisition of Breezz, grew by 23.8%. The cash outflow from an increase in net working capital and provisions in 2011 was €14.7 million, versus a cash outflow of €19.9 million the year before.

Net cash used in financing activities for the year comprises interest costs, banking and financing fees related to our loan facilities, repayments under the senior credit facilities and the refinancing of the mezzanine facility and part of the senior debt by the issuance of senior unsecured and secured notes. During 2011, we made voluntary early repayments of €248.4 million under our senior credit facility.

For the full year, cash interest paid amounted to €267.0 million, €24.3 million up from 2010. This is the result of accrued interest of €19.3 million on the mezzanine loan until it was refinanced through the issuance of the €1,209 million unsecured notes in May 2010, as well as €20.0 million of interest accrued in 2010 for the senior secured and senior unsecured notes combined. Both notes were issued in 2010, which means that no full coupon was payable over 2010. At 31 December 2011, accrued interest for senior secured and unsecured notes was €17.8 million.

At year-end 2011, Ziggo held €112.6 million in cash and cash equivalents, compared to €67.0 million at the end of 2010.

Working capital

Net working capital excluding accrued interest increased from -€204.0 million as at 31 December 2010 to -€199.4 million as at 31 December 2011. This increase includes the opening balance for net working capital of Breezz of €0.6 million on the date of consolidation and the revaluation of the liabilities denominated in US dollars €1.5 million at 31 December 2011.

Ziggo recorded an increase in inventories as our stock levels of interactive set-top boxes were increased in preparation of promotional campaigns for our digital TV and All-in-1 propositions in the first quarter of 2012. Trade accounts receivable increased because in 2010 we deferred billing our subscribers holding quarterly subscriptions from December 2010 to January 2011. The deferral pushed down trade accounts receivable by some €8 million and deferred revenue by approximately €10 million as at 31 December 2010.

Without the deferred billing, trade accounts receivable would have been approximately €28 million at 31 December 2010.

Net debt and financing structure

On 31 December 2011, the outstanding balance of our senior credit facility amounted to €1,383 million, excluding €46.7 million in capitalised financing fees.

As at 31 December 2011, the unsecured notes amounted to €1,179.7 million. They are stated at amortised cost, including the principal amount, capitalised funding costs and discount on the issuance date. The financing fees for the notes issuance amounted to €25.8 million and are amortised over 8 years. The capitalised discount at issuance amounted to €8.8 million and is amortised as interest costs over 8 years. As at 31 December 2011, an amount of €5.5 million was amortised, resulting in capitalised financing fees of €21.7 million at year-end 2011 and a capitalised discount of €7.4 million.

As at 31 December 2011, the balance for the senior secured notes amounted to €740.9 million. It is stated at amortised cost, including the principal amount and capitalised funding costs. The financing fees for the senior secured notes issuance amounted to €10.6 million and are amortised over 7 years. As at 31 December 2011, a total amount of €1.5 million was amortised since the issuance, resulting in capitalised financing fees of €9.1 million at year-end 2011.

Interest on the senior secured notes and senior unsecured notes is due semi-annually, and an amount of €17.8 million was accrued under current liabilities as at 31 December 2011.

Interest Rate Swaps

Exposure to the risk of changes in interest rates relates primarily to Ziggo's long-term debt obligation with a floating interest rate. Ziggo manages its exposure to changes in interest rates and its overall cost of financing by using Interest Rate Swap (IRS) agreements. These are used to (partly) hedge the interest exposure on the senior credit facility loans.

After the expiration of a number of IRS contracts on 30 September 2011, approximately 72% of Ziggo's floating-rate interest borrowings have been swapped at year-end 2011. The fair value of the IRS amounts to -€57.1 million, compared to -€93.0 million as at 31 December 2010. Since the issuance of the senior secured notes on 28 October 2010, any change in fair value is recognised as financial income

and expense as Ziggo does not comply with the requirements for hedge-accounting under IFRS. Before the issuance of the senior secured notes, changes in fair value were recorded in the hedge reserve (equity). The hedge reserve as at 31 December 2011 amounts to -€7.8 million (-€15.1 million on 31 December 2010) and is charged to the profit and loss account during the remaining term of the outstanding IRS.

Financial income and expense includes a fair value gain of €26.2 million and a foreign exchange loss of €1.7 million. The fair value gain on IRSs is mainly the result of the negative

mark-to-market value that ran out of the IRSs that matured in September 2011, through quarterly cash settlement.

As at 31 December 2011, our Net Debt to Adjusted LTM EBITDA leverage ratio (as defined under our Senior Credit Facility) was 3.87x, down from 4.50x as at year-end 2010 due to our strong EBITDA performance and strong cash generation. The average debt maturity was 5.9 years as at 31 December 2011.

The capital structure overview at 31 December 2011 is as follows.

At 31 December 2011	in €m	x LTM EBITDA	Margin/ Coupon	Maturity
Facility B loan (extended)	923	1.11	E + 3.00%	Mar-17
Facility E loan (senior secured notes)	750	0.90	6.125%	Nov-17
Facility F loan	460	0.55	E + 3.25%	Sep-17
Total Senior Debt	2,133	2.56		
Senior unsecured notes	1,209	1.45	8.000%	May-18
Total Debt	3,342	4.00		
Cash and cash equivalents	113	0.13		
Total Net Debt	3,230	3.87		

Outlook

Based on our strong performance in 2011 and the continued investments in our network and customer base, we believe Ziggo is well positioned to expand its market share and continue to grow its revenue and EBITDA in 2012.

Through ongoing investments in marketing & sales, we will continue to launch attractive new commercial campaigns and leverage the momentum in the market.

As in previous years, Ziggo remains highly focused on further improving its customer service and satisfaction levels, making the investments needed to achieve this.

We will continue to invest in our services and infrastructure in order to maintain and strengthen our competitive position. In line with our earlier guidance, our capital expenditure related to our existing business is expected to be approximately 16% of revenue including the modem swap which will continue into 2014. For 2012, we intend to invest a further €30 million in projects aimed at updating and adapting our core IT systems to facilitate new services for our customers, such as mobility and TV-everywhere. This brings expected capital expenditure for 2012 to

approximately €280 million. The projects to develop these new services and adapt our core IT systems and infrastructure to facilitate these new services will continue in 2013 and 2014.

Through the launch of the 'HBO Nederland' joint venture together with HBO, we will be able to strengthen and enrich our TV proposition with premium film and TV series by offering our subscribers premium HBO channels. Investments in and results from the joint venture will be accounted for using the equity method. For 2012 we expect our share in funding the joint venture to require an amount of approximately €15 million.

Corporate governance

Ziggo headquarters,
Utrecht, the Netherlands



At the centre of our corporate governance system is the statutory Board of Management comprising four members appointed by the shareholders – the Chief Executive Officer, Chief Financial Officer, Chief Commercial Officer and the Chief Technology Officer. The Board of Management manages the Company and is responsible for its strategy and vision. The Board operates under the supervision of a Supervisory Board. The Board of Management frequently meets with senior management.

The members of the Supervisory Board are appointed by the shareholders upon nomination by the Supervisory Board itself, in accordance with the Dutch two-tier board regime ('structuurregime'), which was adopted by Ziggo on a voluntary basis. The Supervisory Board assists the Board of Management with advice and supervises the Board of Management conduct of the general state of affairs of the Company.

At the end of the financial year 2011, the Supervisory Board consisted of seven members, including the independent Chairman.

The Supervisory Board meets with the Board of Management on a monthly basis. With regard to Ziggo's current corporate governance system, no relevant risks have been identified that could adversely affect the achievement of its strategic objectives.

Risk management

All organisations face uncertainty, and the challenge for our management is to determine how much uncertainty to accept while realising the – strategic and other – objectives. Entrepreneurship implies taking risks in a responsible way, based on a clear strategy in terms of the amount of risk Ziggo is willing to accept.

Our ambition is to continuously enhance the current risk management activities, ensuring that decision-making is facilitated and supported by transparent and accurate information and that legal and regulatory compliance objectives are met. For this purpose, we apply an integrated internal control and risk management framework in which, based on company objectives, risks are identified in a structured way and key – financial and other – controls are defined and implemented in accordance with the defined risk appetite. Our integrated approach aids us in developing and achieving our strategic, operational and financial objectives and is both fundamental for the day-to-day management of the Company and a critical success factor in ensuring that the execution of the strategy is delivered in a controlled, transparent and compliant manner.

Risk profile

A summary of the main risks relating to our objectives – categorised¹ as business and industry risks, legislative and regulatory risks, operational risks, financial risks, human capital risks and IT infrastructure and network risks – is provided below.

Business and industry risks

We operate in a competitive industry and face significant competition from established and new competitors; the nature and level of competition varies for each of the products and services we offer. 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 fibre connections, including KPN and Tele2, providers of television services using alternative and emerging digital technologies, such as Internet Protocol television (IPTV) from KPN, 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, including Digitenne of KPN, and mobile network operators.

We continuously focus on introducing innovative products, while at the same time ensuring strict quality control to ensure the best possible customer experience. It is difficult to predict the effect of technological innovations on our business; however, unsuccessful introductions of new products may result in customer churn and adversely affect our business.

¹ Not all categories of the Ziggo risk management framework are affected, and the order in which the risks are described is not intended to reflect any order of importance, probability or materiality.

The video, broadband Internet and telephony businesses in which we operate are capital-intensive. Significant capital expenditures, including expenditures for equipment and labour costs, are required to add customers to our network and to increase the capacity of our network in order to keep up with the increasing demand for broadband speed. If we are unable to pay for costs associated with adding new customers, expanding or upgrading our network or making our other planned or unplanned capital expenditures, our growth could be limited and our competitive position could be harmed.

Our growth prospects also depend on a continuing demand for cable and telecommunications products and services and an increasing demand for bundled offerings, as well as economic developments in the Netherlands.

Legislative and regulatory risks

The television, broadband Internet and telephony markets in which we operate are regulated more extensively than many other industries. Governmental regulation and supervision, as well as future changes in legislation, regulations or government policy that affect us, our competitors or our industry, generally strongly influence how we operate and will operate our business.

Operational risks

Our products are at the heart of society, tightly integrated in our customers' day-to-day lives, making service levels, customer satisfaction and service excellence key priorities. The continuity and quality of our – network and other – services is the primary condition for providing our services and are subject to the highest service levels. Our challenge is to be proactive and demonstrate customer insight, resulting in an increase in customer satisfaction and with the possibility to clearly distinguish us from our competitors. If, however, these service levels are not met, we may not be able to fulfil our customers' needs, or our customers may not be satisfied by our products or services. This may lead to customer churn or additional costs to maintain our customer base.

The success of our products depends on, among other things, the quality and variety of the television programming delivered to our subscribers. We do not produce our own content and depend upon broadcasters for programming.

We have important relationships with a limited number of network equipment and software suppliers, call centres, installation partners and logistics partners. In many cases, we have made substantial investments in the particular supplier or partner, making it difficult for us to quickly change supply and maintenance relationships in the event that our initial supplier refuses to offer us favourable prices or ceases to provide the support that we require.

The multitude of capital-intensive projects Ziggo executes requires strong portfolio management to ensure the proper allocation of resources and funds for achieving our strategic ambitions. If we are not able to allocate our investment in the best possible way, our growth could be limited and our competitive position could be harmed.

Financial risks

We manage our capital structure to safeguard the Company's ability to continue as a going concern in order to provide returns for shareholders and benefits for other stakeholders and to maintain an optimal capital structure. 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 we are able to refinance existing debt or incur new debt.

Our capital structure includes a substantial amount of loans at floating interest rates, which exposes us to interest rate risk. This risk is managed by hedging approximately two-thirds of the floating interest rate risk. Fluctuations in interest rates may, however, have a material adverse effect on our financial results in any given reporting period due to changes in interest expenses and changes in fair value for the Interest Rate Swaps.

Our agreements and instruments governing the loans contain certain restrictions, covenants and limitations that could adversely affect our ability to operate our business, to fund capital expenditure, to incur additional debt and to pay dividends. Our ability to service our debt and to finance our ongoing operations will depend on our ability to generate cash. Although we anticipate that we will generate positive cash flow after deducting interest and taxes, we are exposed to cash flow risks that may affect the level of positive cash flows.

Operating in a capital-intensive business with rapidly changing technology requires careful review of our assets' life cycles and may result in additional depreciation or impairment costs.

Due to the changing nature of our business, credit risk on residential trade accounts becomes more relevant, particularly when introducing new products for mobile devices as new product introductions may increase our bad debt risk.

A certain portion of our purchases is made in foreign currency, predominantly in US dollars, exposing us to exchange rate fluctuations from future commercial transactions. Although we generally enter into hedging arrangements and other contracts in order to reduce our exposure to exchange rate fluctuations, these measures may be inadequate or may subject the Company to increased operating or financing costs.

Operating in a capital-intensive business with rapidly changing technology requires careful review of our assets' life cycles.

In the normal course of business a company can have discussions about tax positions with the Dutch tax authorities based on its tax filings. There is a risk that the Dutch tax authorities might take a different position on certain tax positions, which may have an impact on the Company's tax position.

Human capital risks

To support our investments in capital-intensive projects, we need to ensure the availability of personnel of the highest quality. Introductions of innovative products and services, in particular, require specific knowledge and skills (competences) of employees. We may, however, not be able to attract and retain those resources at all times, which may adversely affect our operations.

IT infrastructure and network risks

Our day-to-day operations are highly dependent on our IT infrastructure and network. To safeguard the continuity of our service delivery and business processes we need to have a reliable IT infrastructure and network in place.

Disruptions to our IT infrastructure and network may have a negative impact on the continuity of our services to our customers and the support of our operations. We continuously perform impact analyses on critical IT infrastructure and network components, ensure critical IT infrastructure and network components are installed, applying the principle of redundancy, and replace old technologies by new ones. Despite all efforts made, the potential impact of losses as a result of sabotage or other external disasters may still be considerable.

Risk management and control systems

We apply risk management and control systems to continuously and proactively manage risks and to realise – strategic and other – objectives effectively and efficiently, in accordance with the Company's brand values. The Ziggo Internal Control and Risk Management framework is in line with the COSO Enterprise Risk Management framework (COSO ERM). Although the implementation of the Ziggo Internal Control and Risk Management framework was initiated with a strong focus on managing financial risks, we are gradually widening its scope to include the management of operational risks.

In order to be an innovative company, we strongly favour exploring new opportunities and are prepared to accept a reasonable amount of risk if such opportunities contribute to the achievement of our strategic and operational objectives. We require our management, however, to recognise and control risks to ensure an acceptable risk level for Ziggo. Our risk appetite is set based on such internal and external factors as market share, customer base, financial results and reputation factors.

Although the implementation of an internal control and risk management system provides a reasonable level of assurance, risks that are currently not considered material could at a later stage have a significant adverse impact on the achievement of our – strategic and other – objectives.

Responsibilities

We have organised responsibilities for managing risks in accordance with the generally applied principles of the three lines of defence. First, our management has ownership, responsibility and accountability for assessing, controlling and mitigating risk (first line of defence). Second, our management is supported by second line of defence functions like business control, Internal Control & Risk

Three lines of Defence Model



Management and compliance, which act as subject matter experts. Although in the near future it is our ambition that Internal Audit will be the third line of defence, being an independent, objective assurance and consulting activity designed to add value and improve our operations, the Internal Audit department is currently structured as a second line of defence function. Nevertheless, it is already helping us achieve our objectives by bringing a systematic, disciplined approach to evaluating and improving the effectiveness of risk management, control and governance processes.

The external auditor is considered to be the fourth line of defence, performing statutory and legal audits, while considering the results of the work performed by Ziggo's other three lines of defence.

Systems

The risk management and control systems are embedded in our organisation as follows.

Code of Conduct

Integrity and openness are important in our organisation. We have laid down ethical guidelines in the Code of Conduct, which was launched in late 2011. From the start, a whistleblower procedure was incorporated into the Code of Conduct, ensuring that incidents can be reported, anonymously if desired.

Planning and control cycle

Ziggo applies a rigorous process in setting company and departmental objectives, budgets, forecasts and reporting, including both financial and operational aspects.

Policies and procedures

We apply a uniform set of operational and financial procedures, including but not limited to financial reporting, the ability to make investments, funding and long-term liabilities, which have been laid down in the accounting manual. The required segregation of duties is in place and the risk of singular decision-making is minimised.

Risk and control assessment

We systematically identify, prioritise and analyse risks based on likelihood and impact on all relevant organisational levels, including but not limited to strategic, operational and project levels.

As our management is responsible for the design and operating effectiveness of the risk management and control systems in the organisation, we deem transparency on the outcomes of this process of the utmost importance. During the year, control self-assessments are performed by management for key financial and operational controls. The results of these control self-assessments are reported to and discussed with the Board of Management.

Corporate social responsibility

Ziggo Studio offers an inspiring look into the ever changing world of television, internet and telephony.



Our products and services are at the heart of the daily lives of millions of people. We are well aware of the fact that how we conduct our business has an impact both on individuals and society. This is why we are always trying to ensure that our negative impact is minimal and our positive impact is of benefit to society. Our three-pronged approach focuses on closely related aspects, which are the Open Society, our people and the sustainable use of resources.

The Open Society: access, quality of information and participation

The Open Society is a society where everybody can have equal access to all relevant sources of high-quality information in order to form an opinion and participate in open debate about all relevant issues. In 2011, Ziggo awarded its Open Society Award for the first time, presenting it to the IMC Weekend School. The independent jury praised the long-term effort of the weekend school to enhance the opportunities in the labour market for people who, for a variety of reasons, had missed out on education.

Volunteering and education relations

In 2011, we stepped up our cooperation with BizWorld, an international initiative aimed at spreading the understanding of business thinking to primary school pupils, by adopting over 30 schools. This allows a number of Ziggo employees to transfer their experience and skills in a different setting. We also continued our association with SIFE (Students in Free Enterprise), the international organisation that enables groups of excellent students to set up and run their own social projects.

Ziggo has won the Data Centre Leaders' Awards 2011 in the category 'Innovation Micro-Data Centre'.

Award-winning sustainable data centre

Ziggo has won the Data Centre Leaders' Awards 2011 in the category 'Innovation Micro-Data Centre'. The jury considered that the construction of our micro-data centre represented an innovative contribution towards sustainable construction methods, achieving a considerable reduction in energy usage and environmental impact. The other nominees were all UK companies or institutions: Ford, MPTE and Brighton University.

By utilising evaporative cooling in combination with heat storage, the energy consumption of the new data centre will be more than 40% lower than in a comparable data centre, not only saving limited resources, but also saving millions of euros.

The data centre was built in a way that allows almost all of its materials to be reused if the building is relocated. An important aspect of this concept is that the building has been designed to also be visually in harmony with its surroundings.

Ziggo collaborated with people from 45 companies, foundations, universities and government bodies in the development and realisation of its sustainable micro-data centre, and knowledge exchange formed the foundation for this uniquely innovative project.

Supervisory Board*

The Supervisory Board supervises the Company's activities and reports to shareholders. The Supervisory Board appoints the Chairman and members of the Board of Management and supervises Senior Management.



Andrew (Andy) Sukawaty (Chairman)

Chairman (American national, 1955)

Andy Sukawaty joined Zesko Holding B.V.'s Supervisory Board in 2008 and serves as its Chairman. He is Chairman and Chief Executive Officer of Inmarsat, a global mobile satellite communications service provider. He is a 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. Andy 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, he worked on the business development and establishment of various mobile telephony businesses for AT&T and US West in the United States. Andy Sukawaty will be the Chairman of the Selection, Appointment and Remuneration Committee.



David Barker (Cinven)

Member (British national, 1968)

David Barker joined Zesko Holding B.V.'s Supervisory Board in 2006. Mr Barker joined Cinven 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, Mr Barker worked at Morgan Crucible and Arthur Andersen.



Caspar Berendsen (Cinven)

Member (Dutch national, 1975)

Caspar Berendsen joined Zesko Holding B.V.'s Supervisory Board in 2009. He joined Cinven 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, Caspar Berendsen worked at JPMorgan. In addition to Ziggo, he is a director of Guardian Financial Services, Avolon, and Partnership Assurance.



Paul Best (Warburg Pincus)

Member (British national, 1978)

Paul 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, he worked at Morgan Stanley. He is a Director of Poundland.



Joseph Schull (Warburg Pincus)

Member (Canadian national, 1961)

Joseph Schull joined Zesko Holding B.V.'s Supervisory Board in 2006. He joined Warburg Pincus in 1998, bearing responsibility for the firm's European investment activities, and 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 and Multikabel. He is currently a Director of MACH, a leading global provider of billing and settlement services to the mobile telecom industry.



Dirk Jan van den Berg

Member (Dutch national, 1953)

Dirk Jan 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. Mr Van den Berg was formerly 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.



Anne Willem Kist

Member (Dutch national, 1945)

Anne Willem 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 (NMA), where he worked from 1997 to 2003. He served as a member of the Board of the Netherlands Authority for the Financial Markets (AFM) between 2005 and 2007. In August 2007, Mr Kist voluntarily resigned from his position after recognising that he had breached the internal AFM compliance policy. The AFM did not impose any formal measures upon Mr Kist. 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 Claey's Verbeke and Pels Rijcken & Droogleevers Fortuijn between 1979 and 1997.

* Ziggo Bond Company B.V. does not have a Supervisory Board. The profiles of the Supervisory Board members of the Company's ultimate parent company Zesko Holding B.V. are included in this annual report for information purposes.

Board of Management



Bernard Dijkhuizen

Chief Executive Officer (Dutch national, 1949)

Bernard Dijkhuizen has been Chief Executive Officer of the Company since February 2007, 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 was a member of Fokker's Board and Vice President Marketing, Sales and Services. He then went on to serve as President of Stork Fokker Services. Mr Dijkhuizen studied Mechanical Engineering at Delft University of Technology.



Bert Groenewegen

Chief Financial Officer (Dutch national, 1964)

Bert Groenewegen has been Chief Financial Officer of the Company since March 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 CFO 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.

Senior Management

Martine Ferment

(1963), Vice President Customer Relations

Jurriaan Pennink

(1967), Vice President Consumer

Tom Verhulst

(1954), Vice President Technology Operations

John Simons

(1960), Vice President Technology Development

Milfred Hart

(1966), Vice President Technology
Regional Operations & Monitoring

Hendrik de Groot

(1965), Managing Director Business-to-Business

Peter Schrijnemaekers

(1967), Vice President Control & Finance

Dedi Veldhuis

(1952), Vice President Human Resources Management

Arent van der Feltz

(1960), Vice President Corporate Development,
Legal & Regulatory and Public Affairs

John Burger

(1961), Director Corporate Communication

Wouter van de Putte

(1970), Director Investor Relations and
Corporate Finance



Marcel Nijhoff

Chief Commercial Officer (Dutch national, 1961)

Marcel Nijhoff has been Chief Commercial Officer of the Company since February 2007. He became Zesko Holding B.V.'s Chief Commercial Officer in 2007 and was appointed Managing Director under the Articles of Association 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 at Amsterdam cable operator UPC/A2000.



Paul Hendriks

Chief Technology Officer (Dutch national, 1968)

Paul Hendriks has been Chief Technology Officer of the Company since February 2008. He became Zesko Holding B.V.'s Chief Technology Officer in 2008 and was appointed Managing Director under the Articles of Association in 2010. Between 1992 and 2007 he managed a range of divisions at KPN, including Design & Development, Operations South-East, and Business Lines (Telephony and Broadband Internet), as well as leading a range of major change programmes, including VoIP and All IP. Mr Hendriks has acted as consultant, project manager and architect in a range of restructurings, reorganisations and innovations.

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Contact details and address

Consolidated income statement

For the years ended 31 December

Amounts in thousands of €	Note	2011	2010
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	52,113
Other operating expenses		1,572	1,748
Amortisation and impairments	9	79,939	218,597
Depreciation and impairments	10	268,014	284,148
Total operating expenses		991,521	1,103,367
Operating income		486,648	272,375
Net financial income (expense)	7	(248,311)	(348,719)
Result before income taxes		238,337	(76,344)
Net result of joint ventures and associates	19	(168)	-
Income tax benefit (expense)	8	(59,866)	25,154
Net result for the year		178,303	(51,190)
Net result attributable to equity holders		178,303	(51,190)

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

Consolidated statement of comprehensive income

For the years ended 31 December

Amounts in thousands of €	2011	2010
Net result for the year	178,303	(51,190)
Cash flow hedges, net of tax	7,311	12,049
Total comprehensive income for the year	185,614	(39,141)
Total comprehensive income attributable to equity holders	185,614	(39,141)

Consolidated statement of financial position

Amounts in thousands of €	Note	31 December 2011	31 December 2010
Assets			
Intangible assets	9	3,359,736	3,406,400
Property and equipment	10	1,421,386	1,459,945
Other non-current financial assets	11	402	396
Deferred tax assets	8	35,886	123,819
Total non-current assets		4,817,410	4,990,560
Inventories	12	32,180	18,546
Trade accounts receivable	13	25,753	20,086
Other current assets	14	26,294	32,331
Cash and cash equivalents	15	112,634	66,994
Total current assets		196,861	137,957
Total assets		5,014,271	5,128,517
Equity and liabilities			
Issued share capital		18	18
Share premium		840,982	840,982
Other reserves		(7,789)	(15,100)
Retained earnings		150,134	(28,169)
Equity attributable to equity holders	16	983,345	797,731
Interest bearing loans	17	3,257,243	3,497,261
Derivative financial instruments	24	46,796	58,447
Provisions	18	24,886	30,169
Deferred tax liabilities	8	382,496	408,126
Other non-current liabilities	19	214	-
Total non-current liabilities		3,711,635	3,994,003
Deferred revenues		115,876	97,751
Derivative financial instruments	24	10,267	34,539
Provisions	18	6,892	7,138
Trade accounts payable		74,417	80,165
Other current liabilities	20	111,839	117,190
Total current liabilities		319,291	336,783
Total equity and liabilities		5,014,271	5,128,517

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

Consolidated statement of changes in equity

Amounts in thousands of €

	Issued capital	Share premium	Cash flow hedge reserve	Retained earnings	Total equity
Incorporation of Ziggo Bond Company B.V.	18	840,982	-	-	841,000
Adjustments	-	-	-	(4,743)	(4,743)
Balance at 31 March 2010	18	840,982	-	(4,743)	836,257
Comprehensive income					
Net loss for the year 2010	-	-	-	(51,190)	(51,190)
<i>other comprehensive income:</i>					
cash flow hedges, net of tax	-	-	12,049	-	12,049
Total comprehensive income	-	-	12,049	(51,190)	(39,141)
Transactions with owners					
Additional paid in capital	-	615	-	-	615
Reclassification retained earnings	-	(615)	-	615	-
Reclassification legal reserve	-	-	(27,149)	27,149	-
Total transactions with owners	-	-	(27,149)	27,764	615
Balance at 31 December 2010	18	840,982	(15,100)	(28,169)	797,731
Comprehensive income					
Net profit for the year 2011	-	-	-	178,303	178,303
<i>other comprehensive income:</i>					
cash flow hedges, net of tax	-	-	7,311	-	7,311
Total comprehensive income	-	-	7,311	178,303	185,614
Balance at 31 December 2011	18	840,982	(7,789)	150,134	983,345

Consolidated cash flow statement

For the years ended 31 December

Amounts in thousands of €	Note	2011	2010
Operating activities			
Income/(loss) before income taxes		238,337	(76,344)
<i>Adjustments for:</i>			
Amortisation and impairments	9	79,939	218,597
Depreciation and impairments	10	268,014	284,148
Movement in provisions	18	(7,974)	(5,781)
Net financial income and expense	7	248,311	348,719
Operating cash flow before changes in working capital		826,627	769,339
<i>Changes in working capital relating to:</i>			
Inventories		(13,634)	6,996
Trade accounts receivable		(5,386)	23,506
Other current assets		6,516	(5,129)
Trade accounts payable		(7,712)	(22,786)
Deferred revenues		18,125	(8,496)
Other current liabilities		(4,661)	(8,246)
Net change in working capital		(6,752)	(14,155)
Net cash flow from operating activities		819,875	755,184
Investing activities			
Purchase of intangible and tangible assets	9,10	(242,918)	(202,204)
Purchase of business combinations	4	(7,413)	-
Purchase of joint ventures		(15)	-
Interest received		513	214
Change in financial assets		(6)	(28)
Net cash flow used in investing activities		(249,839)	(202,018)
Financing activities			
Proceeds from loans	17	460,431	1,950,037
Repayments of loans	17	(708,858)	(2,204,629)
Interest paid		(267,005)	(242,673)
Financing and commitment fees		(8,964)	(54,178)
Net cash flow from financing activities		(524,396)	(551,443)
Net (decrease) / increase in cash and cash equivalents		45,640	1,723
Net cash and cash equivalents at 1 January		66,994	65,271
Net cash flow from operating, investing and financing activities		45,640	1,723
Net cash and cash equivalents at 31 December	15	112,634	66,994

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 Ziggo Bond Company 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 brand name Ziggo.

2 Basis of preparation

Date of authorisation of issue

The consolidated financial statements of Ziggo Bond Company B.V. for the year ended 31 December 2011 were prepared by the Board of Management and adopted on 23 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 Ziggo Bond Company 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 25.

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 23 and Note 24)
- Other long-term employee benefits (Note 3 and Note 19)
- Provisions and contingencies (Note 3 and Note 19)

Change in accounting policies

In the 2011 financial year, 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 disclosures.

The Company did not apply any other standard, interpretation or amendment issued but not yet effective in preparing its 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: 180.2 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 to 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:

- The 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.

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:

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

The 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 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 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, 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 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 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 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 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 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 the Company.

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:

Amounts in thousands of €	Fair value recognised on acquisition
Assets	
Intangible assets	46
Property and equipment	313
Trade receivables	281
Other current assets	306
Cash and cash equivalents	457
	1,403
Liabilities	
Loans from financial institutions	16
Other current liabilities	1,148
	1,164
Net asset value acquired	239
Goodwill arising on acquisition	9,381
Total purchase consideration	9,620

The purchase consideration comprise of:

Amounts in thousands of €	Fair value recognised on acquisition
Purchase consideration	
Cash consideration	7,870
Contingent consideration	1,750
Total purchase consideration	9,620

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.

Amounts in thousands of €	Fair value recognised on acquisition
Cash flow on acquisition	
Net cash acquired with the subsidiary	457
Cash consideration	(7,870)
Net cash flow on acquisition	(7,413)

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:

Amounts in thousands of €	2011	2010
Standard cable subscription	481,602	489,454
Digital pay television services	151,269	124,637
Video	632,871	614,091
Broadband Internet subscription	415,878	380,832
Telephony subscription	113,485	96,018
Telephony usage	170,800	155,648
Telephony	284,285	251,666
Revenues from other sources	57,436	51,745
Total residential market	1,390,470	1,298,334
Business services	87,699	77,408
Total revenues	1,478,169	1,375,742

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:

Amounts in thousands of €	2011	2010
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	175,574	170,715

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

Amounts in thousands of €	2011	2010
Interest on loans from financial institutions	(167,651)	(218,619)
Interest on 8.0% senior notes	(96,708)	(62,591)
Other interest expense	(1,599)	(2,014)
Capitalisation of borrowing costs	9,378	13,191
Interest expense	(256,580)	(270,033)
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	7,756	(78,900)
Net financial income (expense)	(248,311)	(348,719)

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 Company and its subsidiaries are incorporated in the fiscal unit 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:

Amounts in thousands of €	2011	2010
Deferred tax assets	(85,496)	(14,248)
Deferred tax liabilities	25,630	39,402
Income tax benefit (expense)	(59,866)	25,154

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

Amounts in thousands of €	Tax rate	2011	Tax rate	2010
Loss for the period		238,337		(76,344)
Notional tax income at statutory rates	25.00%	(59,584)	25.50%	19,468
Adjustments:				
Non-deductable items	0.12%	(282)		-
Deferred income (expense) due to changes in tax rates		-	7.45%	5,686
Effective tax rate / Income tax benefit	25.12%	(59,866)	32.95%	25,154

Income tax recognised within other comprehensive income comprises:

Amounts in thousands of €	2011			2010		
	Before tax	Tax (expense)/ benefit	Net of tax	Before tax	Tax (expense)/ benefit	Net of tax
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:

Amounts in thousands of €							
	1 January 2010	Recognised in profit or loss	Recognised in other comprehensive income	31 December 2010	Recognised in profit or loss	Recognised in other comprehensive income	31 December 2011
Tax loss carry forwards	116,114	(15,540)	-	100,574	(78,952)	-	21,622
Derivative financial instruments	26,076	1,292	(4,123)	23,245	(6,544)	(2,437)	14,264
Deferred tax assets	142,190	(14,248)	(4,123)	123,819	(85,496)	(2,437)	35,886
Intangible assets	(443,119)	52,501	-	(390,618)	8,037	-	(382,581)
Property and equipment	(4,409)	(13,099)	-	(17,508)	17,593	-	85
Deferred tax liabilities	(447,528)	39,402	-	(408,126)	25,630	-	(382,496)
Deferred tax assets and liabilities	(305,338)	25,154	(4,123)	(284,307)	(59,866)	(2,437)	(346,610)

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. Since the Company is

incorporated in the fiscal unity of Zesko B.V. tax loss carry forwards are assessed at Zesko B.V. for the Company and its subsidiaries. The amounts of tax loss carry forwards are subject to assessment by local tax authorities.

9 Intangible assets

The Company's intangible assets comprise:

Amounts in thousands of €	Goodwill	Customer lists	Software	Total
Balance as of 1 January 2010	1,773,068	1,762,453	63,539	3,599,060
Additions	-	4	50,305	50,309
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)	(13,086)	(192,660)
Cost	1,773,068	2,401,568	238,005	4,412,641
Accumulated amortisation	-	(818,689)	(187,552)	(1,006,241)
Balance as of 31 December 2010	1,773,068	1,582,879	50,453	3,406,400
Additions	-	-	23,847	23,847
Acquired through business combinations	9,381	-	46	9,427
Amortisation and impairment	-	(44,124)	(35,815)	(79,939)
Total changes in 2011	9,381	(44,124)	(11,922)	(46,665)
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	1,782,449	1,538,755	38,532	3,359,736

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:

Amounts in thousands of €	Network	Land	Other	Assets under construction	Total
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

Amounts in thousands of €	2011	2010
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:

Amounts in thousands of €	2011	2010
At 1 January	457	258
Additions	1,926	228
Used	(665)	(29)
At 31 December	1,718	457

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 kind of trade debtor and other currently available evidence.

Movements in the allowance for doubtful accounts are as follows:

Amounts in thousands of €	2011	2010
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	5,103	8,706

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 23 discloses the Company's credit risk related to the trade accounts receivable.

14 Other current assets

Amounts in thousands of €	31 December 2011	31 December 2010
Prepaid expenses	10,955	17,682
Revenues to be invoiced	14,965	14,606
Related parties	333	-
Other current assets	41	43
Total current assets	26,294	32,331

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 900 shares of €100 each.

Other reserves represents the cash flow hedge reserve.

17 Interest-bearing loans

Amounts in thousands of €	31 December 2011	31 December 2010
Loans from financial institutions	2,077,533	2,320,731
8.0% Unsecured Notes, due 2018	1,179,710	1,176,530
Total interest-bearing loans	3,257,243	3,497,261

Movements in total interest-bearing loans are as follows:

Amounts in thousands of €	2011	2010
Balance at 1 January	3,497,261	3,712,042
Repayments on loans including refinancing	(708,858)	(2,204,629)
Facility F loan	460,431	-
Issuance of senior notes and Facility E loan	-	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	3,257,243	3,497,261

Loans from financial institutions

Loans from financial institutions can be broken down into the following facilities:

Amounts in thousands of €	Interest rate	Maturity	31 December 2011	31 December 2010
Senior Credit Facilities				
Facility A loan	EURIBOR +2.00%	2013	-	35,238
Facility B loan	EURIBOR +3.00%	2017	922,906	1,091,911
Facility C loan	EURIBOR +3.50%	2015	-	254,615
Facility D loan	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	-
Total			2,133,337	2,381,764
Financing fees			(55,804)	(61,033)
Total			2,077,533	2,320,731

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 net financial income and expense.

8.0% Senior Notes

On 27 April 2010, 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 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-pensioen-

fonds'). 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:

Amounts in thousands of €	2011	2010
Service cost	772	943
Interest cost	406	490
Actuarial (gains) / losses	(372)	(1,041)
Net periodic benefit cost	806	392

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

Amounts in thousands of €	2011	2010
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	13,144	13,758

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:

	2011	2010
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:

Amounts in thousands of €	2011	2010
Effect of change(s) in assumptions	159	244
Experience adjustments	(531)	(1,285)
Actuarial (gains) losses	(372)	(1,041)

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.

19 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.

20 Other current liabilities

The Company's other current liabilities comprise the following:

Amounts in thousands of €	31 December 2011	31 December 2010
Accrued interest	18,601	20,179
Accrued expenses	57,777	67,756
Taxes and social securities	19,927	15,129
Accrued employee benefits	15,186	12,938
Related parties	340	-
Other	8	1,188
Total	111,839	117,190

21 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:

Amounts in thousands of €			31 December 2011	31 December 2010
	Buildings	Other contracts	Total	Total
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	48,858	15,904	64,762	56,639

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.

Transactions and positions

In 2011, management fees of €0.5 million (2010: €0.5 million) were charged by the ultimate shareholders to the Company.

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 18.

As per year-end 2011 the Company has a current account receivable with ZUM B.V. of €98 and a current account receivable with HBO Nederland Coöperatief U.A. of €235. 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.

22 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.

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 Mr B.E. Dijkhuizen, Mr H.L.L. Groenewegen (as from March 2010), Mr W.R. Blom (until March 2010),

Mr P.J. Hendriks and Mr M.J. Nijhoff can be broken down as follows:

Amounts in thousands of €	2011	2010
Wages and salaries	1,564	1,498
Bonus payments	897	563
Social security costs	27	28
Pension costs	245	218
Total	2,733	2,307

Remuneration of the Supervisory Board of the Company

The aggregated remuneration of Supervisory Board members in 2011 amounts to €405 (2010: €376).

For comparative purposes remuneration of Supervisory Board members in 2010 has been adjusted.

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 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
Non - derivative financial liabilities							
Loans from financial institutions	(2,133,337)	(2,725,706)	(25,272)	(77,219)	(102,491)	(307,474)	(2,213,250)
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)	-	-	-	-
Derivative financial liabilities							
Interest rate swaps used for hedging	(57,063)	(50,614)	(5,669)	(17,007)	(22,350)	(5,588)	-
Total	(3,444,527)	(4,675,339)	(129,204)	(167,088)	(221,549)	(603,186)	(3,554,312)

31 December 2010	Carrying amount	Contractual cash flows	January - March 2011	April - December 2011	2012	2013 - 2015	After 2015
Non - derivative financial liabilities							
Loans from financial institutions	(2,381,764)	(2,965,147)	(27,145)	(82,942)	(110,086)	(1,656,328)	(1,088,646)
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)	-	-	-	-
Derivative financial liabilities							
Interest rate swaps used for hedging	(92,986)	(126,021)	(18,908)	(45,059)	(27,580)	(34,474)	-
Total	(3,731,445)	(5,092,643)	(150,064)	(200,863)	(234,374)	(1,980,926)	(2,526,416)

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:

Amounts in thousands of €	31 December 2011	31 December 2010
Notional amount borrowing (floating)	(1,383,337)	(1,631,764)
Cash (floating) & deposits (floating and/or fixed)	112,634	66,994
Notional amount IRS (fixed)	1,000,000	2,670,500
Net interest rate risk	(270,703)	1,105,730
Notional amount IRS - offset	-	1,142,500
Net interest rate risk - including offset IRS	(270,703)	(36,770)

At 31 December 2011, after taking into account the effect of interest rate swaps, approximately 92% 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.

Amounts in thousands of €	31 December 2011	31 December 2010
Increase / decrease in basis points		
+ 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).

24 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 statement of financial position:

Amounts in thousands of €	31 December 2011		31 December 2010	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
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	66,994	66,994
Total financial assets	138,417	138,417	87,080	87,080
Financial liabilities				
Loans from financial institutions	(2,077,533)	(2,139,735)	(2,320,731)	(2,380,674)
8% Unsecured Notes	(1,179,710)	(1,220,939)	(1,176,530)	(1,246,122)
Trade accounts payable	(74,417)	(74,417)	(80,165)	(80,165)
Total financial liabilities at amortised cost	(3,331,660)	(3,435,091)	(3,577,426)	(3,706,961)
Derivative financial instruments	(57,063)	(57,063)	(92,986)	(92,986)
Total financial liabilities	(3,388,723)	(3,492,154)	(3,670,412)	(3,799,947)

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 on fluctuations in its purchase obligations denominated in USD (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
Interest rate swaps				
within one year	3	(10,267)	9	(34,539)
within two - five years	3	(46,796)	3	(58,447)
Foreign currency forwards				
within one year	-	-	6	18
Total derivative financial instruments	6	(57,063)	18	(92,968)

25 Subsidiaries

The following companies are Ziggo Bond Company'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.

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%)

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 Income statement

Amounts in thousands of €	Note	2011	2010
Result from investments, after tax	4	178,303	(51,190)
Net result		178,303	(51,190)

Parent company statement of financial position

Amounts in thousands of €	Note	31 December 2011	31 December 2010
Assets			
Investment in subsidiary	4	983,345	797,731
Loans granted to related parties	5	1,179,710	1,176,530
Total non-current assets		2,163,055	1,974,261
Total assets		2,163,055	1,974,261
Equity and liabilities			
Issued share capital		18	18
Share premium		840,982	840,982
Other reserves		(7,789)	(15,100)
Retained earnings		150,134	(28,169)
Equity attributable to equity holders		983,345	797,731
Interest-bearing loans	7	1,179,710	1,176,530
Total non-current liabilities		1,179,710	1,176,530
Total equity and liabilities		2,163,055	1,974,261

Notes to the parent company financial statements

1 Corporate information

The principal activities of Ziggo Bond Company B.V. 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 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 Ziggo Bond Company 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 Ziggo Bond Company 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 Ziggo Bond Company B.V. (the parent company) are included in the consolidated financial statements, the income statement in the parent company financial statements is presented in condensed form (in accordance with Section 402, Book 2 of the Dutch Civil Code).

The comparative information has been adjusted. For further details, reference is made to Note 2 of the consolidated financial statements.

Investments in subsidiaries

Investments in subsidiaries are accounted for using the net equity value. Ziggo Bond Company 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 Ziggo Bond Company 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 Financial income and expense

Amounts in thousands of €	2011	2010
Interest from 8.0% Senior Notes	(96,708)	(62,591)
Interest income from related parties	96,708	62,591
Net financial income (expense)	-	-

4 Investment in subsidiary

Movements of the Company's investment in its only subsidiary, Amsterdamse Beheer- en Consulting-maatschappij B.V., were as follows:

Amounts in thousands of €	2011	2010
Opening balance	797,731	-
Contribution in kind	-	841,000
Retrospective adjustments subsidiary	-	(4,743)
Additional paid in capital	-	615
Cash flow hedge reserve	7,311	12,049
Result subsidiary	178,303	(51,190)
Balance at 31 December	983,345	797,731

5 Loans granted to related parties

Upon the issuance of the 8.0% unsecured Senior Notes, the Company simultaneously provided its indirect subsidiaries Plinius Investments II B.V. and Serpering

Investments B.V. with the proceeds under the same terms and conditions as the issued 8.0% Unsecured Senior Notes. For further details reference is made to Note 7.

6 Shareholder's equity

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

Amounts in thousands of €	31 December 2011	31 December 2010
Authorised capital		
Ordinary shares 900 of €100 each	90	90
Issued and fully paid (181 shares)	18	18
Share premium	840,982	840,982
Other reserves	(7,789)	(15,100)
Retained earnings	150,134	(28,169)
Equity attributable to equity holders	983,345	797,731

Other reserves represents the cash flow hedge reserve, which is a statutory reserve.

7 Interest-bearing loans

On 27 April 2010, 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 were charged in the amount of €25.9 million, which are presented as a deduction from the loan. The subsequent effective interest rate subsequently is 8.38%, which is recognised as financial expense.

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, Ziggo Bond Company 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 Ziggo Bond Company B.V., either individually or in the aggregate.

Remuneration

For the remuneration of the Board members reference is made to Note 22 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:

Amounts in thousands of €	2011	2010
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	2,861	1,632

For comparative 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 – within the Company's objects as the meeting shall decide.

The result for the year 2011, which is a profit of €178,303 has been added to retained earnings.

Independent auditor's report

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

Report on the financial statements

We have audited the accompanying financial statements 2011 of Ziggo Bond Company 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 Ziggo Bond Company 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 Ziggo Bond Company 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, 23 February 2012
Ernst & Young Accountants LLP

signed by F.J. Blenderman

Contact details and address



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Disclaimer

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

Ziggo

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Annual Report 2011

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