Share.

Annual Report 2012

Ziggo N.V.

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Ziggo at a glance

1.8 million **broadband internet connections**

2.9 million **households with television**

Our network **future proof**

All-in-1 bundle

1.4 million **customers**

Ziggo is a Dutch provider of entertainment, information and communication through television, broadband internet and telephony services. We supply around approximately 2.9 million households and small businesses with television, almost 2.2 million with digital television, about 1.8 million with broadband internet, and more than 1.5 million with telephony services. About 1.4 million customers are subscribers 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.

Ziggo owns a next-generation network capable of providing the bandwidth required for all future services currently foreseen. Today we provide 120 Mbps download speed throughout our complete service area. With the technology currently in place in the network, we can upgrade this to 400 Mbps, while higher speeds are already tested over our kind of network, proving our infrastructure is a next generation future-proof network.

Products and services

Television
Ziggo offers customers three digital TV packages, all of which include interactive television- and premium packages. Customers can choose the quality they desire (digital, HD or interactive) by buying different receivers. In addition to our TV packages we offer subscription to premium channels such as HBO, Eredivisie Live, Film1, Sport1 and channels with a lifestyle angle. We have also developed a TV app to enable customers to watch live TV on smart phones and tablets, in and around the house.

Internet
Ziggo offers the highest internet speeds in the market. This is due to our ultramodern hybrid fibre coaxial network, with fibre very close to the home - within less than 300 meters - and the implementation of EuroDocsis 3.0. We are able to provide higher speeds and capacity in line with the development of the demand for broadband.

Telephony
Ziggo telephony subscribers can phone each other for free with Ziggo telephony as part of their bundle.

All-in-1 bundles
Almost half our customers subscribe to our products in the triple-play All-in-1 bundle. This is the best bundle in the market, with highest quality content, best HD signal quality, highest internet speeds and free on-net calling.

Business to business
Ziggo also offers its services to business customers, such as home offices, small and medium-sized businesses, hospitals, hotels, schools and student dorms. We have a range of different products and services bundled particularly suited to these sectors in the business market.

Introduced in 2012

HBO
HBO brings premium content from the US to Dutch homes within a day. HBO produces premium quality series that are admired around the world. Ziggo has brought the popular HBO content to the Netherlands.

Eredivisie Live GO
Ziggo customers with an Eredivisie Live subscription already can enjoy Dutch premium league football games in high definition. With Eredivisie Live GO customers can watch all games live on their TV, laptop, tablet, Mac, PC or smart phones.

Ziggo TV App
The Ziggo TV app for iOS and Android tablets and smartphones provides live streaming TV for 48 TV channels in and around the house via WiFi. By December 31, 2012 a total of 617,000 Apple users and 246,000 Android users had downloaded the Ziggo TV app to watch live streaming TV via their tablet or smartphone.

Ziggo Muziek
Ziggo Muziek, our streaming music service, offers all your favourite music for a monthly subscription fee and allows you to discover more than you dreamed possible. Concerts from Club Ziggo at the Ziggo Dome are featured as playlists.

Ziggo Hotspots
Ziggo has tested its WiFi-hotspot service on a city-wide scale. Over 18,000 modem-WiFi routers in the city of Groningen have been activated with a public WiFi signal allowing our customers to use our high-quality internet access not only in and around their own home, but also around the homes of other customers. With this WiFi-hotspot service, we can provide our customers with a high-quality internet access through a high-density network of Ziggo Hotspots in our footprint if we complete the rollout of this service in 2014.

TV + internet bundle
Not everybody wants telephony in their bundle, despite the advantages. For these customers we have TV + internet bundles.

Facts & figures

Connected households and businesses

2.9 million

Serving about 2.9 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

1.8 million

With over 1.8 million broadband internet customers, Ziggo is one of the leading companies in high-speed internet connections up to 120Mbps.

Telephony customers

1.5 million

More than 1.5 million customers use Ziggo telephony.

Employees

3,018

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

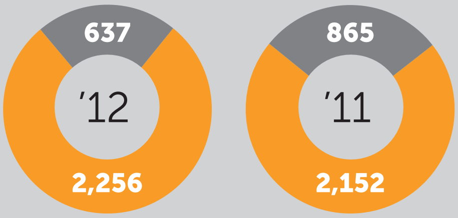
Fibre network

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.

In thousands

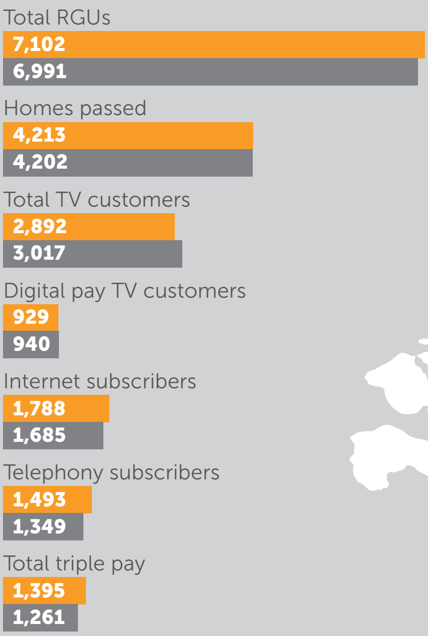
Television subscriptions



Digital Analogue

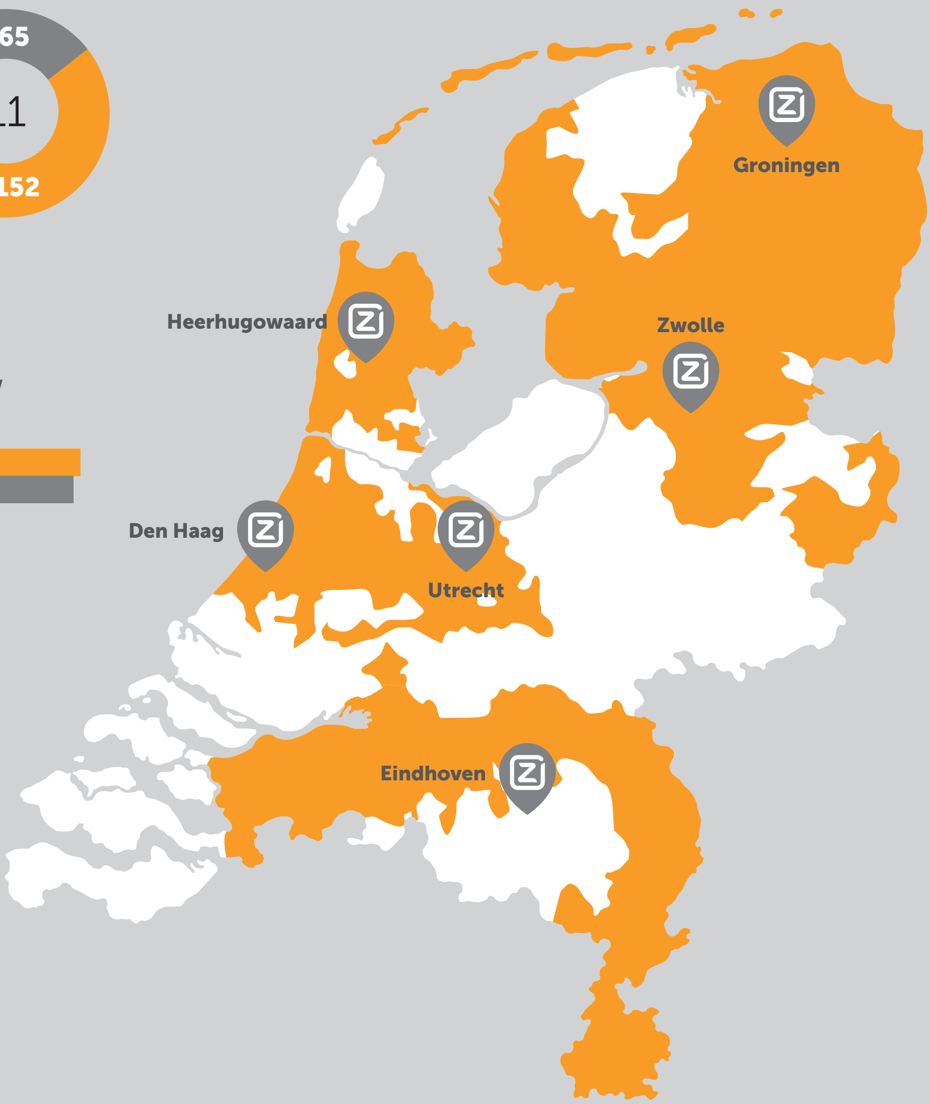
In thousands

Product overview



2012 2011

Service area & locations




Exp

erience

Music is an intrinsic part of our strategy to become a full-fledged media and entertainment company. We built on this by launching our music streaming service Ziggo Muziek in 2012 and opening the Ziggo Dome concert venue which can house up to 17,000 music fans.

Capacity:
17,000

Concert BLØF

The sold-out anniversary concert of the Dutch band BLØF in November, held in the Ziggo Dome, gave us the opportunity to stream the concert live through our network and enabling the Ziggo customers to experience the concert in their homes. It was broadcasted live via TV, as well as via tablets and smart phones through the Ziggo TV app.

Ziggo Dome key fact:

Approximately 120,000 LEDS illuminate the outside walls powered by 100% sustainable sourced energy.

120,000 LEDS

Highlights 2012

June 24	**Marco Borsato**	September 17	**Lady Gaga**
June 27	**Pearl Jam**	November 3	**BLØF**
July 3	**Sting**	December 14	**Najib Amhali**
July 8	**Madonna**	December 17	**Muse**

Message from our CEO

Ziggo with its products and services is at the heart of society and is firmly rooted in our customers' day-to-day lives. Last year was of great importance to our Company, our customers and our employees. Several developments, such as our listing on NYSE Euronext Amsterdam and the opening of the Ziggo Dome, made us an even more indispensable part of everyday life.

"This business is about people"

Ziggo is in the midst of an exciting transformation process. We are a cable company, transforming into a media and entertainment provider. We strive to offer our customers premium entertainment and services whenever and wherever they want.

> “A major development in 2012 was our successful listing on NYSE Euronext Amsterdam.”

The growth of our business continued in 2012, driven by our triple-play all-in-one bundle, digital pay TV and our B2B products for home offices and small and medium-sized companies.

A major development in 2012 was our successful listing on NYSE Euronext Amsterdam. Our solid growth and cash flow enables us to provide attractive returns to our shareholders. After several years of building the Company and delivering robust performance, this listing was a logical step in the development of our Company.

We continued to build on our TV Everywhere strategy by expanding our second screen offering to Android tablets. Marketing campaigns in the fourth quarter highlighted the advantage of watching TV on other screens in and around the house such as tablets and smartphones. By the end of 2012, over 800,000 users had downloaded the Ziggo TV app for iOS, Android tablets or smartphone’s to watch live streaming TV.

Our goal to provide customers with access to television anywhere and anytime came another step closer when we rolled out our Ziggo Hotspots concept in the city of Groningen. What started in July as a small pilot, to provide customers with high quality internet access through WiFi in their direct neighbourhood, is now available throughout the city of Groningen. The pilot was a great success, so we will rollout our WiFi-hotspot concept across our footprint in 2013 and 2014.

We operate in a market that is highly competitive. None of the developments I have mentioned would be possible without the loyalty and hard work of our employees.

> “We operate in a market that is highly competitive.”

The commitment of our staff was also key to the improvement of our customer satisfaction ratings, which exceeded our objectives for 2012. I am confident that we can grow to even higher levels in 2013.

Ultimately, our business is about people. Forget the cables, the hardware, the high-end technology: it is all about delivering the best value for money to our customers.

Bernard Dijkhuizen
Chief Executive Officer Ziggo

Utrecht, The Netherlands
March 1, 2013

Mission, trends and strategy

At Ziggo, we want our customers to experience the highest level of convenience and pleasure in the field of information, communication and entertainment. We aim to offer customers access to our premium content and services, anywhere and at any time through our state-of-the-art network and the simplicity of our high-quality products. This enables us to position Ziggo as the preferred media and entertainment company.

Superior network and product offering

The fundament of our strategy is based on our superior network that enables us to offer our customers the best-value products and services now and in the foreseeable future. Ziggo's fully owned network has fibre very close to the customer - on average within less than 300 meters from the home. EuroDocsis 3.0 is completely rolled-out, enabling Ziggo to offer the highest internet speeds over its total footprint.

We will continue to use our network and product offering advantages to further increase our market share. We offer high-value services at attractive prices with better content choice, higher broadband speed and better functionality and service quality than our competitors. We will also utilise cross-selling opportunities to increase penetration of our All-in-1 package (telephone, internet and television services) and mobile services, in order to maximise average revenue per customer.

Innovation and growth opportunities

Innovation is key to capturing new growth opportunities and strengthening our leading position in the Dutch telecom and media market. Our innovation strategy is fully focused on giving customers access to our content and services - anywhere and anytime - by leveraging our superior infrastructure and introducing new products and services.

We continue to build on our TV Everywhere strategy by expanding our interactive solutions. The introduction of our high-quality TV apps allows customers to watch television on tablets and smartphones in and around the house. Watching television via mobile devices is becoming increasingly popular. We aim to add mobility to our current service offering, expanding the availability of our content and services wherever they are and at any time.

"Watching television via mobile devices is becoming increasingly popular."

For this purpose, we have begun to rollout our Ziggo Hotspot concept. During the second half of 2012, we successfully conducted a pilot in the city of Groningen, examining the possibilities of using private Ziggo WiFi routers as public hotspots. Based on the positive results of this pilot, we will roll-out our WiFi-hotspot concept into our footprint in 2013 and 2014.

Our plans for mobile services and related investments underscore our belief that offering unique connectivity to our customers, using various types of infrastructure, will become increasingly important in coming years.

We will continue to expand our mobile services offering through innovations using an MVNO (mobile virtual network operator) network, WiFi and our 2.6Ghz LTE licence acquired in 2010.

In 2012, Ziggo reinforced its position in the content market. We strengthened our image as the preferred provider of television services through the launch of a new package of premium channels in a joint venture with premium TV channel HBO, offering our customers HBO programmes within 24 hours after airing in the US. This collaboration is a new milestone for Ziggo, helping us to reach our strategic goal of offering customers high-quality content.

> "We have invested and will continue to invest heavily in our customer services."

Music is an intrinsic part of our strategy to become a full-fledged media and entertainment company. We built on this in 2012 by launching our streaming music service Ziggo Muziek and the opening of the Ziggo Dome concert venue.

Customer services

Increasing customer satisfaction is of crucial importance to Ziggo. About one-third of our workforce is active in direct customer service. We have invested and will continue to invest heavily in our customer services. To illustrate the importance we attach to customer service: a significant part of our employees' and management performance bonuses are based on customer satisfaction criteria.

The increase of customer satisfaction ratings exceeded our objectives in 2012. We are committed to continue to invest in improving our products and services in order to meet the highest standards of customer satisfaction.

Business Clients

Ziggo is traditionally a service provider to private households, but in recent years we have been gaining market share among home offices and small and medium-sized companies. We aim to expand market share in the business-to-business market with a strong focus on home offices and on small and medium-sized companies. With smaller businesses increasingly aware of Ziggo's premium-quality services, superior network and attractive pricing, this segment provides strong opportunities for further growth. For larger enterprises our B2B proposition offers a full-fledged fibre solution for telephony and high speed data connections.

Dividend policy and capital structure

Ziggo will continue focussing on growth in revenues, EBITDA, cash flow and capital returns in order to generate value for its shareholders. Based on our continued investments in our network, products and services, we are confident that we can further benefit from having the best network and the best product offering in the Dutch market.

With our successful listing on the Amsterdam stock exchange in March 2012 and following the signing of a new €150 million term facility, we outlined our dividend policy and target capital structure, taking into consideration the dividend restrictions which are attached to the unsecured notes we have issued in May 2010. We intend to pay out approximately 100% of the free cash flow to equity (FCFE) with a view to maintain a net debt to EBITDA leverage ratio of approximately 3.5 to 1 subject to shareholder approval and refinancing of the senior unsecured notes.

Connec

Ziggo Hotspots

Our WiFi-hotspot concept utilising the public channel in our WiFi EuroDocsis 3.0 modems at the customer's premises.

Trial

In the course of the second half of 2012, Ziggo performed a successful trial with approximately 18,000 activated WiFi modem/routers in the city of Groningen connecting our customers wherever they are and at any time via the Ziggo Hotspots.

Performance
Operating review

2.9 million
TV subscriptions

Total key figures

Footprint	December 31, 2012	December 31, 2011	Change in 2012	Change % year-on-year
Homes passed	4,213	4,202	11	0.3%
Analog TV only	637	865	(228)	(26.4%)
Analog and digital TV	2,256	2,152	104	4.8%
Total TV customers	**2,892**	**3,017**	**(125)**	**(4.1%)**
Digital pay TV subscribers	929	940	(11)	(1.2%)
Internet subscribers	1,788	1,685	103	6.1%
Telephony subscribers	1,493	1,349	144	10.6%
Total RGUs	**7,102**	**6,991**	**111**	**1.6%**
Total RGUs consumer	**6,908**	**6,854**	**54**	**0.8%**
Total RGUs B2B	**194**	**137**	**57**	**41.4%**

At the end of December 2012, total RGUs reached 7.1 million, up 1.6% from 2011. During 2012 Ziggo added 111,000 RGUs as a result of an increase in the number of subscribers for our All-in-1 bundle and growth in the business market through subscribers to our business bundles.

Consumer products and services

Details consumer (in thousands unless mentioned otherwise)	**December 31, 2012**	**December 31, 2011**	**Change in 2012**	**Change % year-on-year**
Analog TV only	545	768	(223)	(29.1%)
Analog and digital TV	2,231	2,152	79	3.7%
Total TV customers	**2,776**	**2,920**	**(144)**	**(4.9%)**
Digital pay TV subscribers	917	940	(23)	(2.5%)
Internet subscribers	1,751	1,662	89	5.4%
Telephony subscribers	1,464	1,332	132	9.9%
Total RGUs	**6,908**	**6,854**	**54**	**0.8%**
Of which bundle subscribers	1,395	1,261	134	10.6%
RGUs per customer	2.49	2.35	0.14	6.0%
ARPU YtD (€ per month)	40.44	37.34	3.10	8.3%

Over the full year, Ziggo added 54,000 new subscriptions in the consumer market. This market has become increasingly competitive and is growing rapidly towards triple play. At the end of December 2012, total consumer RGUs reached 6.9 million, an increase of 0.8% year on year. The number of subscribers to the All-in-1 bundle grew by 134,000 or 10.6% to 1.40 million. The number of digital TV subscribers increased to 2.23 million, representing a penetration of over 80% of our customer base. The number of TV-only subscribers decreased by 19.5% to a total of 970,000 at December 31, 2012. The number of customers with a subscription to digital pay TV declined by 23,000 or 2.5% to 917,000 customers. However, the number of subscriptions to individual premium TV packages rose, increasing the number of packages and ARPU per subscriber. In addition, we experienced strong growth in VOD transactions which was very much the result of the launch of our new TV proposition in September 2011 and the increase in the number of customers with an interactive set-top box.

The number of internet subscribers grew by 89,000 to 1.75 million compared to 2011, again increasing our market share for internet.

The total number of telephony subscribers rose to 1.46 million, up 9.9% compared to 2011. The rise is a result of the increase in All-in-1 bundle subscriptions. However, as Ziggo's telephony subscriber base grows, the relative weight of free on-net calling becomes more relevant and affects usage ARPU. In addition, the growing popularity of flat-fee telephony bundles, reduced FTA rates (as per August 1, 2012) and a lower average number of call minutes per subscriber put pressure on ARPU for telephony usage. We expect these trends to continue which will lead to a further decline of telephony usage ARPU, partly mitigated by the price increase effective as of February 1, 2013.

Marketing and Sales

In the first months of 2012, we saw strong uptake of the All-in-1 bundles. This was due to an overflow from sales orders in 2011 being fulfilled in the first months of 2012 as well as to successful marketing campaigns in the first quarter. These campaigns emphasised the high internet speed and convenience of interactive TV. Towards the second quarter, more focus was put on our content and quality of our TV product driven by the launch of HBO and the approach of the sport-packed summer with events like the European Championship soccer, the Tour de France and the Olympics. Marketing & sales activities during this period were focused on up-sell (VoD, HBO) and cross-sell (migration from 1P/2P to 3P bundles) to existing customers. The targeted approach was realised through campaigns and media instruments, such as direct marketing, electronic mailings and joint promotions. Other promotions, such as introductory discounts on digital pay-TV packages and promotional offers for HD and iTV set-top boxes.

In July and August, marketing activities were relatively low due to the summer period and campaigns were focused on up-sell of VOD and interactive TV to existing customers; an offer to upgrade the internet speed for existing internet and bundle subscribers for 2 months without extra costs; and loyalty campaigns with communication and information about live TV on smart phones and tablets.

With the start of the football season in the second half of August, a large campaign was launched to attract subscribers to Eredivisie Live, the live Dutch football channel. During September we added many new subscribers, including a large number attracted by the promotional offer with a two month free-view period. This campaign resulted in the highest number of subscribers for Eredivisie Live during the year.

We started an end-of-year campaign for the All-in-1 bundle in late September with a sales focus on the fourth quarter. This campaign was centred around the TV Everywhere concept, with a promotional offer for a set-top box for new All-in-1 subscribers. The campaign was supported by a multi-media campaign including a TV commercial, direct marketing and print.
In December, we boosted our activities via radio and direct marketing. We focused on promoting the All-in-1 bundle via up-sell to existing customers as well as a promotional offer for new customers. Besides this campaign, a brand campaign was launched promoting the Ziggo Dome and our streaming music service Ziggo Muziek.

Products and services

In March, we launched an update of the TV app for smart phones and tablets, adding two live channels as well as a personalised TV home window, new link-ups with social media, an integrated search function and an improved short EPG (Electronic Programming Guide) when watching live TV. In September an extended version for Android devices was released. Simultaneously, with the launch of the new iOS 3.0 version, the number of channels for both releases was increased. The number went up from 14 to 24 TV channels for subscribers to a standard TV package to 28 TV channels for customers with 'TV extra'.
On December 4, we doubled the number of TV channels for the Ziggo TV app for iOS and Android tablets and smart phones to 48. Customers with a standard TV subscription can now view 27 channels. Those with a TV Plus package can view 36 channels and customers with 'TV Extra' can view 48 channels. The app itself is free. To watch live TV with this app, however, users need a Ziggo television and internet subscription. By December 31, 2012, a total of 617,000 iOS (Apple) users and 246,000 Android users had downloaded the Ziggo TV app to watch streaming TV via their tablets or smart phones. This clearly shows the potential of the TV Everywhere concept.

In February, Ziggo introduced HBO in the Netherlands. With the popular series and movies of HBO we are in a position to offer our subscribers the best content available in the market. The fact we were the first media and entertainment company in the Netherlands to offer HBO was highly appreciated by our customers. For a monthly subscription fee of €14.95 Ziggo offers three 24-hour, commercial-free linear HD channels, as well as HBO On Demand and HBO GO. Subscribers to HBO have direct access to popular new series such as Game of Thrones, Magic City and Combat Hospital. By the end of 2012, the joint venture of Ziggo and HBO announced that HBO NL had signed an agreement to provide content to UPC. This agreement gives HBO NL a distribution channel for its content with all important TV operators in the Netherlands: Ziggo, KPN, UPC, Delta and Canal Digital.

At the end of the first quarter, we again increased our internet speeds at no additional costs to our subscribers. Internet Z1 was raised from 5/0.5 Mbps (download/upload) to 8/1 Mbps, internet Z3 was raised from 50/5 Mbps to 80/8 Mbps and All-in-1 Plus bundles from 40/4 Mbps to 50/5 Mbps.

In May, we launched our own TV channel Ziggo Xite in cooperation with Dutch based broadcaster Xite. Ziggo Xite is a TV channel presenting the best and latest hits 24/7, as well as features on concerts and festivals. Ziggo Xite has opened a permanent TV studio in Club Ziggo in the Ziggo Dome, where events such as interviews and sessions with artists will be recorded and broadcasted on the Ziggo Xite channel.

In July, we started a pilot in an area in Groningen a city in the north of the Netherlands, to test Ziggo Home Zone, our WiFi-hotspot concept utilising the public channel in our WiFi EuroDocsis 3.0 modems at the customer's premises. The purpose of this pilot was to test using the public channel in the WiFi modems as WiFi-hotspot and thus create a network of WiFi-hotspot for our customers.
The pilot covered technical aspects such as WiFi handover, automatic provisioning of hotspots and network implications, as well as commercial aspects such as customer perception and the way customers actually use this new service. During the pilot, 18,000 Ziggo internet customers had free access to high-speed internet throughout the pilot area via the WiFi-hotspot network.

As a result of this successful pilot we decided in December that we would rollout our WiFi-hotspot concept into our footprint in 2013 and 2014. Through this rollout we will provide our customers with high-quality internet access through high density WiFi-coverage using the public channel in our modems at the premises of our customers.

In September we had the soft launch of Ziggo's streaming music service which gave subscribers online and off-line access to more than 14 million music titles. There are two versions of Ziggo Muziek available: Ziggo Muziek and Ziggo Muziek Overal. Ziggo Muziek is intended for use at home and costs €4.95 per month. Ziggo Muziek Overal enables you always to have favourite music available, wherever you are, and costs €9.95 per month.
Ziggo Muziek Overal makes it possible to store your favorite songs on your smartphone or tablet so you can listen to them without an internet connection. The Ziggo Muziek interface is exclusively in Dutch.

During 2012, we swapped approximately 137,000 modems for a dual band WiFi-enabled EuroDocsis 3.0 modem and shipped 338,000 of these modems to new All-in-1 and internet subscribers and upgrades. A new version of this modem, which allows for concurrent usage of both the 2.4 GHz and 5 GHz bands, resulting in improved performance, is expected to become available in the second quarter of 2013. For that reason we have decided to use the available EuroDocsis 3.0 WiFi modems only for new customers and upgrades and to limit the modem swap program. By the end of 2012, we had 1,317,000 EuroDocsis 3.0 modems activated at customer premises, of which 822,000 were WiFi-enabled.

We also started testing the upgrade of existing set-top boxes with interactive functionality through the introduction of a streaming GUI (Graphic User Interface) in the cloud. This new GUI will widen access to interactive television among customers and should stimulate the number of TV on-demand purchases. The GUI will become available for our customers in the course of the first quarter.

As of November, productions from the EU1 initiative became available via Ziggo Video-on-Demand (VoD). EU1 is a platform by and for film and television makers, where professionals present their ideas and show their movies, series and documentaries. EU1 is offered at no extra costs, for every Ziggo customer owning an interactive decoder.

Other

On June 24, 2012, the Ziggo Dome opened its doors to the public. Live music plays an important role in Ziggo's ambition to be the leading provider of information, communication and entertainment. As the eponymous partner of this state-of-the-art concert venue, we welcomed the opening of the Ziggo Dome as another step towards further positioning Ziggo in the media and entertainment industry. The concert hall – praised by performing artists and the media for its excellent acoustics – is all about live music and entertainment and can accommodate 17,000 music fans.

The sold-out anniversary concert of the Dutch band BLØF in November, held in the Ziggo Dome, gave us the opportunity to live stream the concert through our network and enabling the Ziggo customers to experience the concert in their homes. It was broadcasted live via TV, as well as via tablets and smart phones through the Ziggo TV app.

As a result of Dutch multiband spectrum licences auction for mobile services we announced that Ziggo and UPC had participated through a joint venture.
No new spectrum licence was acquired during this auction. Ziggo and UPC considered the price too high given the additional return they expected from owning a licence. Both companies have experience in offering mobile services and are planning to expand their mobile offering in coming years, using the 2.6 GHz spectrum acquired in 2010, via WiFi and through existing mobile virtual network operator (MVNO) agreements.

In December, we announced to launch a TV app for Microsoft's Xbox LIVE service. The app is expected to become available in the course of 2013. Customers want to be able to use Ziggo's services in as many ways as possible, so the development of an app for the very popular Xbox 360 is a logical step and is fully in line with our strategy. The Ziggo Xbox 360 app will largely be in line with the Ziggo TV app for iOS and Android in terms of design and functionality. Controlling the App will be possible with simple hand movements via Kinect or via the game controller. With this app, Xbox 360 users who are Ziggo subscribers will have a complete list of channels and an electronic programme guide. They will be able to watch live TV on their Xbox, and will in due course also have access to Video on Demand. The number of channels a customer will be able to watch is dependent on their subscription. The Xbox 360 user has to be subscribed to Xbox LIVE Gold.

Business market

Details B2B (in thousands)	**December 31, 2012**	**December 31, 2011**	**Change in 2012**	**Change % year-on-year**
Analog TV only	92	97	(5)	(5.2%)
Analog and digital TV	24	0	24	-
Total TV customers	**116**	**97**	**19**	**19.8%**
Digital pay TV subscribers	12	0	12	-
Internet subscribers	37	23	14	60.2%
Telephony subscribers	28	17	11	66.4%
Total RGUs	**194**	**137**	**57**	**41.4%**
Of which:				
- Office Basis	27.5	17.5	10.0	56.9%
- Office Plus	0.8	0.0	0.8	-
- Internet Plus	8.6	6.0	2.6	43.1%

During 2012, more than 13,000 new subscribers signed up for our Office Basis, Office Plus and Internet Plus business bundles, bringing the total to over 36,900 subscribers for our business bundles targeted at home offices and small- and medium-sized businesses. With a strong focus on specific segments such as healthcare, we gained several new multi-year contracts for our services. For example we signed a contract for our business bundles with Promens Care, a regional healthcare provider in the north of the Netherlands.

In May, we introduced Office Plus our new all-in-one package for small and medium-sized enterprises. This supports multi-line telephony for up to four lines and 10 phone numbers. This new product is an excellent alternative for SMEs that have an ISDN2 connection, so we expect it to increase our target customer base.

In the Office Plus package, calls are routed through the internet (VoIP), offering the same quality and flexibility as conventional telephony yet at considerably lower cost. Additionally, “Office Plus” offers the convenience of a complete business bundle.

In November, we started selling business bundles through the retail outlets of Makro via the shop-in-shop Phone House sales points. With 1 million entrepreneurs as customers, Makro is a one-stop-shop for the Dutch business community. In this unique collaboration, an attractive All-in-1 business package was created. The package contains super-fast internet up to 120 Mbit/s, wireless internet, two telephone lines, digital TV and radio. This package can also be supplemented with extra services such as Pin & Chip and unlimited calling.

Financial review

Financial performance

Revenues

We generated revenues of €1,536.9 million, an increase of 4.0% compared to 2011 (€1,478.2 million). Excluding other revenues, revenues increased by 4.8%. The most important drivers for the growth in revenues were continued growth in RGUs for internet and telephony driven by a further uptake of our All-in-1 bundle, revenues from digital pay TV and business services. Business services were spurred by organic growth of 15.4% in the business market which, combined with a €6.1 million revenue contribution from Breezz (acquired and consolidated since October 2011), reported total revenue growth of 20.4%. During the year, revenue growth declined from 7.3% growth in the first quarter to 1.4% growth in the fourth quarter. This was mainly due to a limited price increase in the first quarter compared to the previous year and a decline in revenue from telephony usage during the last four months of the year.

Consumer market revenues grew 2.9% to €1,431.3 million in 2012. Excluding 'Other revenues', consumer revenues increased by 3.8%. This was driven primarily by a further uptake of our All-in-1 bundle during the year, with 134,000 net additions or 10.6% year-on-year growth. This resulted in growth in both internet and telephony RGUs by 6.1% and 10.6%, respectively. In addition, the Company recorded growth in revenues from digital pay TV, including VOD, of 11.2% year-on-year despite a decline in the number of subscribers to digital pay TV by 23,000. Revenues from telephony usage increased by 5.2% compared to 2011 although revenues declined in the fourth quarter by 9.0%. Revenues generated through our All-in-1 bundle increased by 14.5% from €587.0 million in 2011 to €672.0 million in 2012, representing 46.9% of total consumer revenues versus 42.2% in 2011.

ARPU for digital pay TV increased by 9.19% from €13.71 in 2011 to €14.97 in 2012, driven by the increase in the number of packages per subscriber and the growth in VOD. The growth in the number of packages per subscriber was supported by the launch of HBO in February 2012. During 2012, we experienced a strong year-on-year increase in VOD transactions of more than 125%. This increase was the result of three factors. First, the launch of our new TV proposition in September 2011, providing all our digital TV customers access to our library of films and series. Second, the introduction of the pay-per-event proposition in May 2011, which enables customers to order a single match from the Dutch, Spanish or English Premier Leagues without the need for an interactive set-top box or a subscription to digital pay TV. And third, the increase in the number of customers with an interactive set-top box to almost 360,000 by the end of 2012 compared to 235,000 by the end of 2011.

We have a programme to upgrade a portion of the existing set-top boxes at our installed base of digital TV customers, giving interactive functionality through a Cloud-based streaming graphic user interface. We also have various sales promotions for our All-in-1 proposition, with an attractive offer for an interactive set-top box. For these reasons, we expect to increase further the penetration of interactive set-top boxes.

Revenues from telephony usage increased by 5.2% from €170.8 million in 2011 to €179.7 million in 2012. Excluding Interconnection, revenues increased by around 7.6%. Interconnection rates were 48.6% lower as at August 1, negatively affecting revenue by €2.8 million. Whereas during the first eight months, revenue growth and ARPU for telephony were supported by the new rate plan for telephony introduced on September 1, 2011, revenues declined during the last four months of 2012 by 10.4% and 6.2% excluding interconnection. During the last four months, the calling rates were similar to those of the last four months for 2011. A 9.9% increase in the number of telephony subscribers was more than offset by a lower ARPU for telephony usage as more subscribers selected a flat-fee subscription for calls within the Netherlands and several foreign countries. It was also attributable to a higher share of free on-net calls following growth in the number of All-in-1 subscribers. Both trends resulted in a higher percentage of non-billable calling minutes compared with the previous year, in addition to an overall decline in average usage per fixed-line telephony subscriber.

Total call minutes increased by 6.6% compared to 2011. On-net calling grew by 17.0% and the number of billable minutes declined by almost 12% as a result of growth in on-net and growth in the number of flat-fee subscriptions by 25%. Average call minutes per subscriber declined by 5.4%. Gross margin on telephony improved by over 3%, also supported by the reduced FTA rates.

In 2012, we opted for a more limited annual price increase compared to 2011. This reduced revenue growth compared to the growth we realised in 2011. In 2011, we implemented an annual general price increase of €0.50 (€0.42 excl. VAT) as per February 1, 2011 for standard TV subscriptions and per March 1, 2011 for our All-in-1 bundle. This was followed by a price increase for our telephony usage rates as per September 1, 2011 and a price increase for TV Extra and TV Plus as per the introduction of the new TV proposition on September 1, 2011. This year, the price increase was €0.25 (€0.21 excl. VAT) and was limited to standard TV subscriptions.

Blended ARPU for Consumer in 2012 was €40.44, up €3.10 (+8.3%) from 2011. This increase was driven by growth in the number of subscribers to our All-in-1 bundle which, combined with churn in TV-only subscribers, resulted in a 6.0% increase in RGUs per customer to 2.49 (based on a maximum of four RGUs per customer). Excluding digital pay TV as a separate RGU, Ziggo recorded an average of 2.16 RGUs per customer. Higher revenue from digital pay TV services and telephony usage also contributed to the increase in blended ARPU. Fourth-quarter blended ARPU only increased slightly compared with the third quarter, due to limited growth in RGUs per customer of 1.2% and a slight increase in revenues of €1.0 million from digital pay TV and €1.4 million from telephony usage.

Our business service activities generated revenues of €105.6 million in 2012, up 20.4% from €87.7 million in 2011. This was the result of strong growth in revenues from subscriptions to business bundles and the acquisition of Breezz in October 2011. Excluding Breezz, revenues grew organically by 15.4%. During 2012, Ziggo added almost 13,400 new subscribers to its main B2B bundles products Internet Plus, Office Basis and the new Office Plus bundle, to reach a total of almost 36,900 subscribers by December 31, 2012. Total revenues for the year from coaxial products TOM and TOMi, our collective TV contracts, and the business bundles grew by over 45% compared to 2011 to €35.4 million, now representing 33.6% of total B2B revenues.

Cost of goods sold and gross margin

Cost of goods sold includes the costs of materials and services directly related to revenues and consists of copyrights, signal costs and royalties 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 other products and materials used to connect customers to our network.

In 2012, cost of goods sold increased slightly to €295.0 million, up 1.3% from 2011. The gross margin for 2012 was 80.8% of revenue versus 80.3% in 2011. During 2012, we supplied 190,000 iTV, 89,000 HD set-top boxes and 25,000 CI+ modules, versus 151,000 iTV, 207,000 HD, 15,000 SD and 37,000 CI+ modules in 2011. The boxes are typically sold at a negative gross margin as part of our promotional campaigns to support further penetration of digital TV and triple play and are therefore considered an investment in our customer base.

The relatively high growth in digital pay TV, carrying a lower gross margin than other products, in combination with the higher negative gross margin on set-top boxes as a result of an increased number of interactive set-top boxes shipped during 2012 compared to 2011, was more than offset by higher gross margins on internet and telephony and business services.

Operating expenses (opex)

Operating expenses (excluding IPO-related costs) increased by €9.0 million or 2.6% to €361.4 million in 2012 from €352.4 million in 2011. As a percentage of revenue, operating expenses decreased from 23.8% to 23.5%, mainly as a result of a 11.7% decline in marketing and sales expenses from €68.5 million in 2011 to €60.5 million in 2012. The year-on-year decline in marketing and sales expenses must be seen in combination with a higher negative gross margin on set-top boxes. The decline was also the result of a lower spend on branding in 2012. In the second half of 2011, we launched a major branding event for The Entertainment Experience. If we exclude this event and take into consideration the higher negative margins on set-top boxes as a result of promotions, marketing and sales costs were at a similar level to that of 2011.

Excluding marketing and sales, operating expenses increased by 6.0% or €17.0 million compared to 2011. This was mainly due to higher personnel costs because of a slight increase in headcount and a rise in average salary costs.

Personnel costs (excluding IPO-related costs) increased by 8.2% compared to 2011. This was caused mainly by a 4.3% increase in headcount and an increase in the average salary costs for our employees of approximately 4%. The latter was driven by an increase based on discretionary individual salary raises, the collective labour agreement and higher employer charges for social security and pension contributions. The increase in both headcount and average salary costs was partly offset by an increase in capitalised personnel expenses.

At the end of 2012, our workforce totalled 3,018 FTEs compared to 2,894 FTEs at the end of 2011. Excluding external and temporary employees, we had 2,502 employees versus 2,376 in the previous year. The number of external resources declined from 346 FTEs at the end of 2011 to 278 at the end of 2012. The number of temporary call centre agents increased from 172 FTEs by the end of 2011 to 238 at end-2012, mainly due to the in-sourcing of certain sales-related activities during the last quarter. The increase in total FTEs is related to the increase in the installed base of RGUs, which boosted activities for customer services such as maintenance, on-location customer service and the technical maintenance of our infrastructure, and to an increase in sales-related activities. In addition, the higher number of FTEs also stems from our investments in innovation such as preparations for our converged platform and our TV proposition.

Costs of contracted work remained relatively stable, decreasing by 0.6% compared to 2011. Lower consultancy costs and slightly lower costs in customer services were offset by higher costs for maintenance of our network and technology. Thanks to an almost 25% decline in volumes in our customer services department during the second half of the year, total external call centre and customer services costs decreased slightly. In the comparable period of 2011, we experienced a peak in customer service activity, customer installations and inbound sales following successful pre-summer campaigns at the end of Q2 2011, as well as the introduction of our new TV proposition and the related migration of all our customers to the new proposition in September 2011. This higher activity continued in the first month of 2012 but levels subsided in the second half of 2012.

This decrease in costs of contracted work was partly offset by higher costs of maintenance of the network and technology. This was due to an increase in RGUs and in the capacity of our infrastructure, as well as rising maintenance costs, following investments in our core infrastructure and systems to facilitate the addition of new services such as mobility and TV Everywhere.

Office expenses (excluding IPO-related costs) increased by 7.5% compared to 2011 to €53.3 million. This was due to increased costs of licences and maintenance for applications as a result of increases in user numbers and in the size of various databases. In addition, investments in innovations for our converged platform and business applications resulted in additional licence and maintenance costs on top of the existing IT environment.

Other expenses (including Materials & Logistics cost and excluding IPO-related costs) decreased by 10.6% to €6.8 million, mainly thanks to improved quality and ageing of our trade accounts receivable, resulting in a release of the provision for bad debt.

Adjusted EBITDA and operating profit

We achieved an adjusted EBITDA of €880.4 million in 2012, up 5.5% versus 2011. The EBITDA margin was 57.3% compared to 56.5%. This year-on-year increase was primarily due to an improved gross margin percentage and lower operating expenses (as a percentage of revenue).

Adjusted EBITDA excludes IPO-related expenses. In March 2012, we recognised €39.7 million in costs directly related to our IPO on NYSE Euronext Amsterdam. The IPO costs include share-based remuneration of €20 million awarded and settled by the shareholders before the IPO which, in accordance with IFRS2, was accounted for as an equity-settled share-based payment transaction. Therefore, this transaction is reflected as personnel costs and equity but it has not affected the Company’s cash flow or diluted shareholders’ equity.

Depreciation expenses and amortisation of software in 2012 fell by €68.9 million to €279.1 million from €348.0 million in 2011. As of Q2 2011, we no longer amortise our customer list. The capitalised customer list resulted from the acquisition of our three predecessor businesses.

Based on an updated analysis, we reviewed the assessment of the attrition of customer relationships connected to our network, and 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, which are now subject to annual impairment testing. During 2012, amortisation of other intangibles therefore amounted to nil compared with €44.1 million in 2011. The decrease in depreciation and amortisation is also the result of high historical network and infrastructure investments as well as investments related to the merger of the three companies, which led to relatively high depreciation expenses in recent years. However, with the current investment programme in our core infrastructure and systems to facilitate the addition of new services such as mobility and TV Everywhere, depreciation and amortisation will stabilise in 2013.

Operating income (EBIT) in 2012 increased by 15.4% to €561.6 million compared to €486.6 million in 2011. Despite the recognition of one-off costs of €39.7 million related to the IPO, the increase was due to improved EBITDA, lower depreciation expenses, lower amortisation on software, and cancellation of the amortisation of our customer list.

Net income

Interest costs excluding interest on shareholder loans decreased by 19.1% to €207.3 million in 2012 compared to €256.1 million in 2011. In 2012, €10.4 million was allocated as borrowing costs on work in progress, resulting in an interest credit, compared to €9.4 million in 2011. Excluding borrowing costs, interest costs decreased by 18.0% or €47.7 million.

A reduction in our average debt by approximately €216 million reduced our interest expenses compared to 2011. The blended interest rate for 2012 was 6.8% versus approximately 7.7% for 2011. At the end of Q3 2011, some of our interest rate swaps and all our offsetting swaps expired. As a result, the blended interest rate dropped by more than one percentage point versus Q4 2011 and has since remained relatively stable. The percentage of our hedged floating rate borrowings increased to 94% in 2012 from approximately 72% at the end of 2011 as a result of prepayments of €320 million on our senior credit facility during 2012. At the end of 2012, only 2% of our gross debt was exposed to a floating interest rate, taking into consideration the IRS position.

Interest on shareholder loans fell from €215.9 million in 2011 to €52.2 million in 2012. Since the conversion of the shareholder loans into equity prior to the IPO in March 2012, no interest has been charged.

Banking and financing fees dropped by 55.7% to €1.0 million in 2012 from €2.4 million in the previous year as a result of the reduction in the committed ancillary facility from €150 million to €50 million since Q4 2011.

The amortisation of funding cost decreased by €1.1 million to €13.2 million in 2012 compared to 2011. In 2012, a consent fee of €7.6 million became payable to the lenders of the senior facility upon completion of our IPO in March. The consent fee has been capitalised and will be amortised over the remaining term of the facility agreement.

As Ziggo does not comply with hedge accounting for interest rate swaps under IFRS, any change in fair value is recognised as financial income and expense. In 2012, Ziggo recorded a €11.0 million loss on other income, due to: (1) the periodic amortisation of our negative hedge reserve of €4.6 million; (2) a fair value loss on IRS contracts of €6.2 million as a result of a decrease in the three-year swap rates partly offset by shortened expiration periods of underlying hedges; and (3) a foreign exchange loss on US dollar-denominated purchases of €0.2 million. For 2011, we reported a fair value gain of €26.2 million and a foreign exchange loss of €1.7 million.

The €9.4 million net loss from joint ventures predominantly relates to our 50% share in the results of HBO NL, our joint venture with HBO. Investments in and results from the joint venture are accounted for using the equity method. Our share in the funding of this joint venture amounts to approximately €13 million in total.

For 2012, Ziggo reported an income tax expense of €74.7 million, compared with an income tax expense of €7.8 million in 2011. Higher operating income in combination with reduced interest costs resulted in a strong increase in the result before income taxes and, consequently, in our income tax expense.

In 2012, Ziggo posted a net profit of €192.8 million versus a net profit of €14.5 million in 2011. Adjusted for (1) interest on shareholder loans; (2) amortisation of the customer list; (3) amortisation of financing fees; (4) the non-recurring IPO costs; and (5) changes in fair value on our interest rate hedges (all adjustments net of income taxes), the net result would have increased from approximately €202 million in 2011 to €285 million in 2012, representing an increase of 78%.

Working capital, cash flow and liquidity

Working capital

Net working capital excluding accrued interest and corporate income tax due decreased by €68.9 million from €199.2 million negative at end-2011 to €268.1 million negative at end 2012. The decrease in working capital in 2012 can mainly be attributed to VAT being payable on a quarterly rather than on a monthly basis (effective 2012), resulting in a reduction in net working capital of approximately €29 million. In addition, the relatively high capital expenditure during the fourth quarter and the recognition of the IPO consent fee of €7.6 million due to the lenders of the senior facility resulted in a relatively high balance for trade accounts payable and other current liabilities and contributed to the decrease in net working capital compared to 2011. Both the balance for trade accounts receivable and deferred revenue declined as the billing of quarterly subscriptions was postponed from the end of December to the beginning of January. This reduced the balance for trade receivables by approximately €8 million, for deferred revenue by €6.5 million and for taxes and social security by €1.5 million.

Working capital includes a balance for corporate income tax of €2.3 million due on December 31, 2012. This is the result of an intra-group transaction in which we transferred certain assets in order to renew part of our tax loss carry-forward position to avoid expiration of these losses. In one of our subsidiaries, we must report a profit for tax purposes based on a percentage of the value of the transferred assets, which cannot be offset against the remaining losses of the fiscal unity according to Dutch carry-over rules.

Cash flow from operating activities

Cash flow from operating activities increased €101.2 million or 12.3% to €921.0 million versus €819.9 million in 2011, despite €18.8 million being paid for IPO-related expenses. This improvement was mainly driven by a €45.8 million improvement in adjusted EBITDA and a cash inflow of €61.1 million as a result of the decrease in working capital, versus a €6.8 million cash outflow from an increase in net working capital and a €6.9 million higher cash outflow from a movement in provisions.

Capital expenditure (capex)

Our capital expenditure and investments relate primarily to extending, upgrading and maintaining our network, installing new service equipment at customer premises, the cost of modems and investments in our core infrastructure and systems to facilitate the addition of new services such as mobility and TV Everywhere. This 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.

During 2012, Ziggo recorded capital expenditures of €279.6 million, an increase of 15.1% compared to 2011 (€242.9 million). The increase of €36.7 million compared to 2011 was mainly driven by investments in core infrastructure and systems to facilitate the addition of new services such as mobility and TV Everywhere. Network capacity grew by €6.8 million or 6.0% compared to 2011, mainly due to the additional capacity required to process an approximately 40% increase in internet traffic. The lower spend on customer installations (€9.8 million below that of 2011) is mainly attributable to the lower number of modems swapped compared to 2011.

Capex in €m	**December 2012 YTD**	**% of total**	**December 2011 YTD**	**% of total**
Customer installation	63.2	23%	73.0	30%
Network growth	120.1	43%	113.3	47%
Maintenance and other	96.4	34%	56.6	23%
Total capex	**279.6**		**242.9**	

In 2012, €63.2 million (23%) of capital expenditure related to installations of service equipment and modem installations at customer premises (€73.0 million or 30% in 2011), whereas 43% (versus approximately 47% in 2011) related to new build and growth of our network capacity to accommodate our increased subscriber base for internet and the continuously increasing internet speed and bandwidth requirements.

The decrease in customer installations compared to 2011 is predominantly due to a limited number of modems swapped compared to the previous year. In 2012, we swapped approximately 137,000 modems versus 274,000 in 2011. In addition, we shipped 338,000 dual-band WiFi-enabled EuroDocsis 3.0 modems to new All-in-1 and internet subscribers and upgrades. By the end of 2012, we had 1,317,000 EuroDocsis 3.0 modems activated at customer premises, of which 822,000 were WiFi enabled.

The increase in network growth compared to 2011 was mainly caused by the additional capacity required to process an increase in internet traffic of approximately 40%. The largest part of this increase was realised during the second half of the year and projects to increase the capacity of our infrastructure peaked in the last quarter.

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 core infrastructure and systems to facilitate the addition of new services such as mobility and TV Everywhere. In 2012, investments in this category increased by €39.8 million or 70.3% to €96.4 million (or 34% of total capital expenditure for the year) compared to €56.6 million for the previous year. In 2011, we launched an investment programme for core infrastructure and systems to facilitate the addition of new services such as mobility and TV Everywhere in the fourth quarter. This led to a step-up in capital investments in maintenance and other.

Our capital expenditure for 2013 will increase to €320-330 million. Approximately half this increase from the prior year is the result of accelerating the development of new products and systems originally planned for future years. Speeding up product development and innovations in the area of TV Everywhere and mobility means also bringing forward investments in systems to facilitate these new services. The remainder of the increase is predominantly due to growth in internet video traffic, which demands an increase in network capacity, leading to additional network segmentation.

Operational free cash flow

Operational free cash flow adjusted for IPO-related costs (OpFCF, or adjusted EBITDA minus capex) increased by 1.5% to €600.8 million.

Free cash flow and net cash used in financing activities

During Q4, free cash flow (cash flow before financing activities) increased to €628.7 million, up 10.3% from 2011. It includes a sum of approximately €18.8 million for IPO-related expenses that has been settled. Although capital expenditure increased by €36.7 million or 15.1% compared to the previous year, the strong increase in the free cash flow was the result of improved EBITDA in combination with cash inflow from a change in working capital of €61.1 million compared with a cash outflow from a change in working capital of €6.8 million in 2011.

Net cash used in financing activities for the year comprises interest costs, banking and financing fees related to our loan facilities, and prepayments on the senior credit facilities. During 2012, voluntary prepayments on our senior credit facility of €320.0 million were made.

Cash interest paid in 2012 amounted to €217.9 million, representing a €49.1 million drop from the previous year. The difference can be explained by the lower average debt and the reduction of the blended interest rate from 7.7% in 2011 to 6.8% in 2012. Interest on both the senior secured and senior unsecured notes is payable semi-annually, in May and November.

At the end of 2012, accrued interest for the senior secured and senior unsecured notes was €17.8 million, equal to the amount at the end of 2011.

At the end of 2012, Ziggo held €92.4 million in cash and cash equivalents, compared to €112.7 million at the end of 2011. Ziggo has a committed bilateral ancillary facility of €50 million expiring in September 2014. In addition, we have an uncommitted €100 million revolving credit facility available under our credit facility, which expires in September 2017.

Net debt and financing structure

As of December 31, 2012, we carried a total debt balance of €2,943.8 million including principal amount, capitalised funding costs and discount on issue date. An amount of €1,063.3 million is owed under our senior credit facility (term loans B and F), €750.0 million is granted by Ziggo Finance B.V. (term loan E), which issued senior secured notes in 2010 for a similar amount, and €1,208.9 million is related to senior unsecured notes issued in 2010. Below is a summary of the capital structure with the notional amounts outstanding as at December 31, 2012:

As per December 31, 2012	in €m	x LTM EBITDA	Margin / Coupon	Maturity
Term loan B extended	922.9	1.05	E + 3.00%	Mar-17
Term loan E (Senior Secured Notes)	750.0	0.85	6.125%	Nov-17
Term loan F	140.4	0.16	E + 3.25%	Sep-17
Total Senior Debt	**1,813.3**	**2.06**		
Senior Unsecured Notes	1.208.9	1.37	8,000%	May-18
Total Debt	**3,022.2**	**3.43**		
Cash and cash equivalents	92.4	0.10		
Total Net Debt	**2,929.8**	**3.33**		

On December 31, 2012, the outstanding balance of our senior credit facility amounted to €1,018.2 million, including principal amount (€1,063.3 million) and capitalised financing fees (€45.1 million). In 2012, a consent fee of €7.6 million became payable to the lenders of the senior credit facility upon completion of our IPO in March 2012. The consent fee has been capitalised and will be amortised over the remaining term of the facility agreement. During 2012, €320 million was voluntarily pre-paid on our senior credit facility.

As at December 31, 2012, the senior unsecured notes amounted to €1,183.4 million. This item is stated at amortised costs, including principal amount (€1,208.9 million), capitalised funding costs and discount on issuance date. The financing fees for the notes issuance amount to €25.8 million and are amortised over a period of eight years. The capitalised discount at issuance amounted to €8.8 million and is amortised as interest costs over a period of eight years. As per December 31, 2012, an amount of €9.1 million was amortised, resulting in capitalised financing fees as at end-2012 of €19.0 million and a capitalised discount of €6.5 million.

As per December 31, 2012, the balance of the senior secured notes amounted to €742.2 million stated at amortised costs, including principal amount (€750.0 million) and capitalised funding cost. The financing fees for the senior secured notes issuance amount to €10.6 million and are amortised over a period of seven years. As at December 31, 2012, a total amount of €2.8 million had been amortised since issuance, resulting in capitalised financing fees at the end of 2012 of €7.8 million.

Interest on the senior secured notes and senior unsecured notes is due semi-annually and as at December 31, 2012 an amount of €17.8 million was accrued under current liabilities.

As per December 31, 2012, the fair value of the interest rate swaps (IRS) amounted to € 63.2 million negative, compared to €57.0 million negative as at December 31, 2011. Since the issuance of the senior secured notes on October 28, 2010, any change in fair value has been recognised as financial income and expense as Ziggo does not satisfy the IFRS requirements for hedge accounting. Before the issuance of the senior secured notes, any changes in fair value were recorded in the hedge reserve as part of equity. As at December 31, 2012, the hedge reserve amounted to €4.3 million negative. It is charged to profit and loss during the remaining term of the outstanding IRS.

As at December 31, 2012, our Net Debt to Adjusted LTM EBITDA leverage ratio (as defined under our senior credit facilities) was 3.33x, down from 3.87x at year-end 2011 due to our strong EBITDA performance and strong cash generation. The average debt maturity was 4.9 years as at December 31, 2012.

Outlook

Based on our continued investments in our network and customer base, we are confident that we can further benefit from having the best network and the best product offering in the Dutch market.

For 2013, we will increase marketing and sales initiatives, which will result in higher costs for sales and promotions. We expect EBITDA for 2013 to increase in the range of 2.5-3.5% with revenue growth moderately ahead of this rate. We anticipate an increase in revenue momentum over the course of 2013 as our marketing initiatives take effect. Our capital expenditure for 2013 will increase to €320-330 million. Approximately half of this increase compared to the previous year is the result of accelerating the development of new products and systems originally planned for future years. Speeding up product development and innovations in the area of TV Everywhere and mobility also means bringing forward investments in systems to facilitate these new services.

We believe the investments we are making will help secure continued long-term earnings growth and generate new revenue streams for the business over the medium term. We will continue to exercise the financial self-discipline shown by our Company in the recent mobile spectrum auction, which underpins the financial flexibility we enjoy. Our strong cash generation enables us to invest for the future while also gradually increasing shareholder returns.

Dividend policy and capital structure

We have created the flexibility to adjust our dividend policy and increase our cash distribution for 2013 at a substantially lower cost than we would have incurred by refinancing our existing senior unsecured notes with a new €150 million term facility at the Ziggo N.V. level. The senior unsecured notes, which were issued by a subsidiary of Ziggo N.V. in May 2010, currently restrict the dividend payout to 50% of cumulative adjusted net income.

Consequently, we plan to accelerate the dividend policy outlined at the time of the IPO. We will increase our dividend payout with a view to maintaining a net debt to EBITDA leverage ratio of approximately 3.5 to 1. For the final dividend over the 2012 financial year, which becomes payable at the end of April 2013, we expect to distribute €180 million (subject to shareholder approval), which brings the total dividend payout over 2012 to €290 million or €1.45 per share.

With regard to the interim dividend over the 2013 financial year, we plan to distribute €190 million by mid-September 2013. Final dividend over the 2013 financial year will be subject to refinancing of our existing senior unsecured notes, callable as per May 2014.

Corporate social responsibility

Ziggo Price for the Open Society

€15,000 won by Humanity in Action

Protection of customer data is a top priority

Ziggo helps millions of people to communicate each and every day bringing information and entertainment into their homes. People trust us to treat their data with care and to operate in a responsible manner. As a leading company in our industry, we work hard to ensure that everyone can access the internet so that individuals can form their own substantiated opinions.

Open Society

An Open Society means that everyone can access high-quality sources of information, forming their own, well-founded opinions and fully participating in society. We do not expect Utopia just yet – but we firmly believe information and knowledge can help improve everybody's quality of life.

Ziggo and the Open Society

Ziggo aims to promote and enhance the Open Society in a number of ways.

Last year, for instance, the Ziggo Price for the Open Society was awarded for the second time. It was won by Humanity in Action, which was chosen by an independent jury for its strong involvement in and commitment to society. Humanity in Action is an international organisation that educates, inspires and connects a global network of students, young professionals and established leaders dedicated to promoting human rights, diversity and active citizenship in their own communities and around the world. The €15,000 prize was awarded at Ziggo's annual conference, an event set up as an independent platform for debate on topics at the intersection of businesses, society and government.

In 2012, we started supporting Debatlabb, a televised debate on Open Society topics, hosted in Club Ziggo, near the Ziggo Dome.

We also sponsor organisations that we believe help ensure both quality of information and help people to be able to access it.

Last year, Ziggo announced it would sponsor De Tegel, the most important annual award for Dutch journalism, over the next three years. We believe this will not only stimulate the quality of journalism, but also will contribute to the ideal of the Open Society.

In order to participate in the Open Society, people must be able to read and write. Ziggo donated €50,000 to the Stichting Lezen & Schrijven (Foundation for Reading & Writing), which helps combat illiteracy.

Active participant

Ziggo is an active participant in industry initiatives aimed at greater freedom and safety online. We are a premium member of ECP (Electronic Commerce Platform) and take part in Digivaardig & Digibewust (an initiative of the Ministry of Economic Affairs aimed at promoting digital skills). Ziggo also supports initiatives to combat botnets and promote internet safety.

The impact of the internet

The internet's impact on society is ever-increasing. It is hard to predict what the long-term effects will be, so it is wise to be careful about imposing short-term restrictions. Providers have a specific role to play, but we believe it is not in the interest of customers or society at large that Ziggo takes on the role of policing the internet. This is a role for the government and the Ministry of Justice.

A case in point is the legal action that BREIN, an organisation that protects the rights of the entertainment industry in the Netherlands, took against Ziggo to force us to block The Pirate Bay. Ziggo defended its position as a party providing access to the internet as a whole, and not just to specific sites.

Employees

The quality of our Company is determined by the quality of our people. We continuously invest in our people, both to ensure our customers of the best quality products and services and to allow our employees to lead rewarding and fulfilling lives, both at work and at home. We therefore offer our employees a personal budget which can be spent on items such as extra free days, a subscription to a gym or extra pension payments. We also offer ample opportunities for personal development through training courses and coaching programmes.

Our code of conduct sets out the standards of behaviour we expect from our employees. Every two years, we give our employees the opportunity to judge their place of work. The results are shared with everyone in the Company and recommendations are acted upon. The year 2012 showed an all-time high in satisfaction levels and loyalty among our employees. We think this is a solid basis for the realisation of our future plans and a further improvement in customer satisfaction.

Employee representation

Ziggo is in frequent contact with its works council, targeting a level of transparency and cooperation beyond legal requirements. The relationship is constructive, professional and mutually beneficial.

We give our employees the opportunity to do voluntary work through programmes of which Ziggo is a member. BizWorld is an independent programme enabling volunteers from the business world to teach commercial skills to primary school pupils. Research by the University of Amsterdam shows that this makes a real difference, with the children's skills undergoing long-term improvement.

Donation Stichting Lezen en Schrijven

€50,000

Employee donation Stichting Zonnebloem

€75,000

Environmental sustainability

Material use
Re-usable building materials

-40%
energy used by micro-data centers

A second programme is Students in Free Enterprise (SIFE), which links business leaders with excellent and committed students in order to set up sustainable businesses. This programme addresses a genuine need within society. At the end of 2012, a donation was made to the Stichting Zonnebloem, a charity organisation which organises meaningful meetings between volunteers and people with a range of physical handicaps. Ziggo employees throughout the Company selected Stichting Zonnebloem as their first choice for the €75,000 donation. The donation was part of the incentive of achieving the end of year targets for 2012.

Customer satisfaction

Customer satisfaction is and will remain among our top priorities and one of the main criteria on which we base employees' performance reviews and bonuses. Last year, we achieved an all-time high in customer satisfaction. Not only do we continuously work to improve our products and services, but we also want to make sure we can give adequate and timely help to customers with questions, problems or complaints.

Customer data

Protection of customer data is a top priority. Our National Operations Centre (NOC) is manned 24/7 in order to monitor our systems and operations and ensure security is completely embedded in the way we work.

Sustainability

Ziggo's approach to environmental sustainability rests on three pillars: energy conservation, material use and waste management.

After having built our first sustainable micro-data centre in 2011, we built an additional five in 2012. Data centres usually consume a lot of energy. Based on an award-winning design, our micro-data centre typically uses 40% less energy, by using evaporative cooling in combination with heat storage. Our data centres are built in a way that allows almost all their materials to be re-used if the building is relocated.

Ziggo is based in six different locations in the Netherlands and its employees drive many kilometres each year. Since people are increasingly choosing electric vehicles, we have installed a number of charging stations at all our locations. Ziggo exclusively uses power from sustainable sources for the electric cars.

Investor relations

On a regular basis, Ziggo engages in communication with financial analysts and investors, both from the equity and credit side. The core of its communication to the financial community takes place through corporate press releases which are broadly distributed and made available on the investor relations section of the corporate website of Ziggo (www.ziggo.com).

In addition, Ziggo regularly engages in direct investor contacts, typically through road shows, broker conferences, Company visits and telephone contacts. These contacts can either take place with (large) groups of shareholders or on a 1-on-1 bilateral basis. The purpose of these meetings is to inform our shareholders, investors and analysts about the Company, results, the operations and the strategy, all to the extent publicly disclosed, as well as on the general market environment. Therefore, the timing of these communication moments are skewed towards the weeks following the Company's quarterly earnings releases.

Furthermore, to maintain an effective dialogue, Ziggo also engages in investor meetings with the purpose to receive feedback from its shareholders and bondholders. This communication takes place either at the initiative of the Company or at the initiative of individual investors. During these meetings the Company is generally represented by its Investor Relations department, frequently accompanied by one or more members of the Management Board.
The Company is strict in its compliance with applicable rules, regulations and best practices on fair and non-selective disclosure and equal treatment of shareholders and bondholders.

21 March

Ziggo was succesfully listed at the Euronext stock exchange

Analysts' coverage

Ziggo is covered by approximately 30 equity and credit analysts who frequently issue reports and provide recommendations on the Company.

Dividend and dividend policy

Over the fiscal year 2012, Ziggo has paid an interim dividend of €110 million, equal to €0.55 per share, on September 11, 2012.

Following the closing of a €150 million committed term facility in January 2013, which increased the flexibility for dividend distribution, Ziggo has announced its dividend policy at the time of the announcement of its fourth quarter and full year results 2012.

Ziggo has the intention to apply a dividend payout policy of around 100% of free cash flow to equity[1] ("FCFE"), whilst running the Company at a net debt to adjusted EBITDA leverage ratio of approximately 3.5 to 1.

The Company has announced its intention to pay €180 million as a final dividend over fiscal year 2012 (payable on 29 April 2013), subject to shareholder approval, and €190 million as an interim dividend over fiscal year 2013 (payable on 10 September 2013).

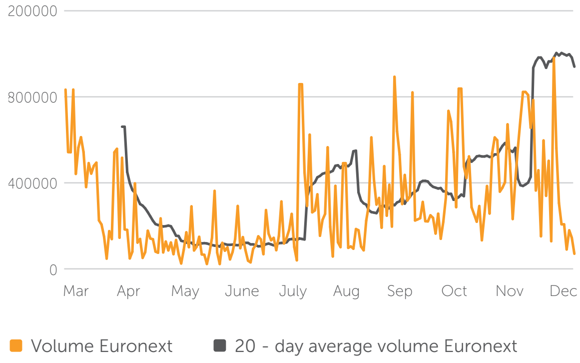
Ziggo's credit ratings (as per year-end 2012)	Moody's	Standard & Poors
Company rating	Ba1 (stable)	BB (stable)
6.125% Senior Secured Notes	Baa3	BBB-
8.000% Senior Unsecured Notes	Ba2	BB-

Relevant trading data (on Euronext Amsterdam) All amounts in €	
Number of outstanding shares at year-end	200,000,000
Lowest price intraday (March 22, 2012)	21.00
Lowest closing price (March 22, 2012)	21.25
Highest price - intraday (October 10, 2012)	27.63
Highest closing price (October 17, 2012)	27.46
Share price year-end	24.755
Market capitalization year-end	4,951,000,000
Average daily trading volume (approx. 0.5% of total outstanding shares)	500,063

1 Free Cash Flow to Equity ("FCFE") is defined as EBITDA minus capital expenditure minus movement in provisions minus change in working capital minus net interest minus taxes paid. FCFE is a non-IFRS measure and may not be comparable to similarly titled measures used by other companies.

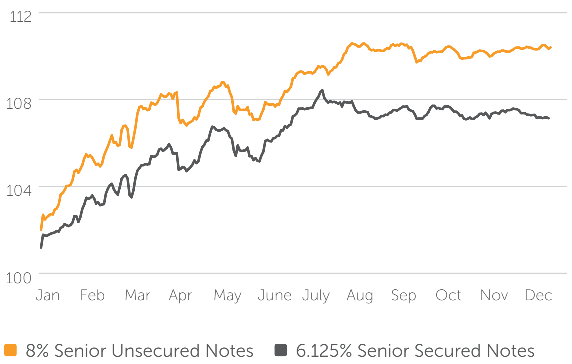
Share price development (since IPO)
x €1

Daily volume since IPO + 20-day average volume
x 1,000

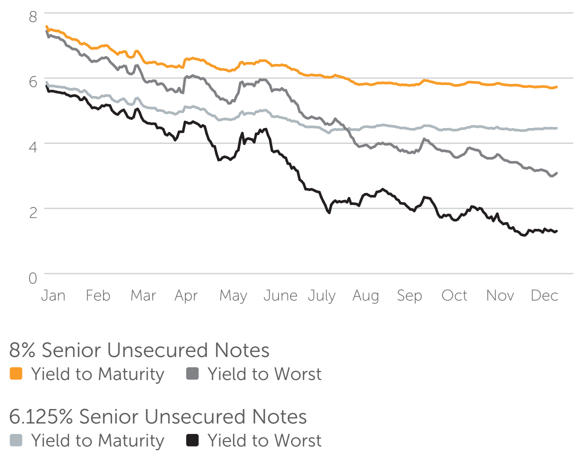


Total Shareholder Return (since IPO)[1]
%

Bond market prices



Bond yields



1 Total Shareholder Return is the combination of the shareprice development + dividend distributed to shareholders. Base = €18.50 IPO issue price.
* Data from Bloomberg.

The following shareholders have reported shareholdings in the AFM register regarding substantial participations:

	Total holding	Directly real	Directly potential	Indirectly real	Indirectly potential
BlackRock, Inc.					
Capital Interest	5.06 %	0.00 %	0.00 %	5.06 %	0.00 %
Voting Rights	5.06 %	0.00 %	0.00 %	5.06 %	0.00 %
Capital Group International Inc.					
Capital Interest	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %
Voting Rights	5.27 %	0.00 %	0.00 %	5.27 %	0.00 %
Capital Research and Management Company					
Capital Interest	0.00 %	0.00 %	0.00 %	0.00 %	0.00 %
Voting Rights	5.27 %	4.95 %	0.00 %	0.32 %	0.00 %
Cinven Limited					
Capital Interest	14.41 %	0.00 %	0.00 %	13.66 %	0.75 %
Voting Rights	28.83 %	0.00 %	0.00 %	27.33 %	1.5 %
Warburg Pincus Private Equity IX, L.P.					
Capital Interest	14.41 %	0.00 %	0.00 %	13.66 %	0.75 %
Voting Rights	28.83 %	0.00 %	0.00 %	27.33 %	1.5 %

Financial calender

January

1 Start of quiet period ahead of FY and Q4 2012 Results
24 FY and Q4 2012 Results

April

1 Start of quiet period ahead of Q1 2013 Results
17 Q1 2013 Results
18 Annual General Meeting of Shareholders
22 Ex-dividend (at opening)
24 Record date (after close)
29 Payment date

July

1 Start of quiet period ahead of Q2 2013 Results
18 Q2 2013 Results

October

1 Start of quiet period ahead of Q3 3 Results
18 Q3 2013 Results

Contact

investorrelations@office.ziggo.nl
Tel: +31 (0)88 717 1799
Postbus 43038
3540 AA Utrecht

Share

Together

Ziggo Muziek, our streaming music service, offers all your favourite music for a monthly subscription fee and allows you to discover more than you dreamed possible. Concerts from Club Ziggo at the Ziggo Dome are featured as playlists.

Stream

17 million songs

Corporate governance & compliance

Risk management

All organizations face uncertainty and the challenge for our management is to determine how much uncertainty to accept while realizing the (strategic) objectives of Ziggo. For us, 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 and the corresponding level of control required.

Our ambition is to continuously improve our risk management, ensuring that decision-making is facilitated and supported by transparent and accurate information and that legal and regulatory compliance objectives are met. To this end we apply an integrated internal control and risk management framework where, based on Company objectives, risks are identified in a structured way and key (financial) controls defined, implemented and executed in accordance with the defined risk appetite (the amount of risk Ziggo is willing to accept in pursuit of value). Our risk appetite is based on internal and external factors, including, but not limited to, financial, commercial and reputational aspects, thus reflecting a balanced view.

Our integrated approach aids us in developing and achieving our strategic, operational and financial objectives and is both fundamental to the day-to-day management of our Company and a critical success factor in ensuring that our strategy is executed in a controlled, transparent and compliant manner.

Risk Profile

A summary of the main risks relating to our objectives, categorised[1] 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 highly competitive industry and face significant competition from both established competitors and new entrants; the nature and level of competition varies for each of the products and services we offer. Our competitors include, but are not limited to, providers of television, broadband internet and telephony services using DSL, PSTN or fibre connections, providers of television services using alternative and emerging digital technologies such as Internet Protocol television (IPTV) and television services provided over the top of an existing broadband internet network (OTT-television), satellite (DTH) providers, digital terrestrial television (DTT) providers and mobile network operators. In the course of 2012 the level of competition in the Dutch market increased substantially, including but not limited to more aggressive Fibre to the Home (FTTH) and price- and promotional campaigns from competitors like KPN and Telfort.

As a result of the increased level of competition for the Dutch market we may encounter more challenges in attracting new subscribers and/or in retaining existing subscribers, resulting in increased churn levels, less usage of our services and increased price pressure. There can be no guarantee that we will at all times be able to compete successfully against our current or future competitors in any of our businesses. Our failure to do so could have a material adverse effect on our business, our financial condition and the results of our operations.

We continuously monitor our competitive environment, also performing deep dives into competitive product and service offerings. In doing so, we carefully assess how and where we can differentiate ourselves from the competition.

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

In each case we carefully weigh whether we should compete on one or on multiple factors, including but not limited to price, marketing, network quality, product and service portfolio specifications, functionality, quality of set-top boxes and customer care. While considering our response to the competitive environment we take into account perspectives from both new and existing subscribers in order to ensure that we retain a healthy balance between attracting new subscribers and retaining existing subscribers (churn prevention).

One of our main challenges is the rapidly increasing growth of IPTV and over the top service offerings. These type of service offerings might lead us to invest in innovative offerings and to develop new, attractive services and propositions in order to stay ahead of competition. In order to ensure an appropriate speed of innovation we remain closely aligned with key players in innovative technologies in order to leverage their knowledge and experience. We strongly favour exploring new opportunities and are prepared to accept a reasonable amount of risk if such opportunities can contribute to achieve our strategic and operational objectives. While exploring new opportunities we apply meticulous quality controls in order to ensure the best possible customer experience.

The analysis of our competitive environment and our assessment of new technology are examples of key drivers in our integrated roadmap. Our integrated roadmap allows us to achieve an appropriate balance between the successful introductions of commercial and technological improvements to existing products and services, and the introduction of new, innovative, products and services. Although we continuously monitor our integrated roadmap in order to ensure we are well positioned to achieve our strategic and operational objectives, it remains difficult to predict the effect of technological innovations on our business. Unsuccessful product introductions may result in customer churn and adversely affect our business.

Another key challenge is the increase in FTTH initiatives. The general public has a favourable impression of FTTH networks, compared to Ziggo's Hybrid Fibre Coax (HFC) network, which may negatively affect our business. We have been and will continue to strengthen our fact based communication with (potential) customers on FTTH, highlighting the differentiating factors of our own products and services. Based on various reputable sources, we estimate that the demand for bandwidth for fixed connections will grow exponentially in the Netherlands, by approximately 30% to 40% per year, between now and 2020. We deem this to be a conservative estimate. Due to the very high intrinsic capacity of coax, our fibre-coax network (cable) can deal with such exponential demand for bandwidth. This was verified in a study done in November 2010, which was commissioned by the Dutch Ministry of Economic Affairs and addressed the forecasting of supply of and demand for Next Generation Infrastructures in the Netherlands until 2020. The resulting report, as delivered by TNO and partner Dialogic, served as input for the Task Force that Secretary of State Frank Heemskerk installed in December 2009 to advise on ways to stimulate super-fast broadband networks. The conclusions were confirmed in a report by TNO delivered in 2012.

The video, broadband internet and telephony businesses in which we operate are capital-intensive. Significant capital expenditures, including expenditures for equipment and labor 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 and capital expenditure 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 the continued demand for cable and telecommunication products and services and an increased demand for bundled offerings. As we operate exclusively in the Dutch market, our success is closely tied to general economic developments in the Netherlands and cannot be offset by developments in other markets. Negative developments in or the weakness of the Dutch economy, in particular increasing levels of unemployment and a weak housing market coupled with relatively high mortgages, may have a direct negative impact on the spending patterns of retail consumers, both in terms of the products they subscribe to and regarding usage levels.

Legislative and regulatory risks

The television, broadband internet and telephony markets in which we operate are regulated more extensively than many other industries. We are subject to far-reaching supervision and regulation by various Dutch regulatory authorities, especially OPTA, the Dutch Media Authority, Consumer Data Protection Agency and the Radio

Communications Agency (Agentschap Telecom), as well as European Union authorities. Government 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 our business now and in the future.

In 2012, Dutch Parliament adopted several proposed amendments to the Dutch Telecommunication Act and the Media Act. These proposed amendments also contain provisions requiring cable operators that are subject to must-carry obligations to resell their analogue radio and TV services at cost-oriented prices. As a result of these amendments we may encounter decreasing revenues caused by higher churn levels or additional price pressure.

Regulatory agencies, such as OPTA, also continuously monitor the level of competition within our market and may conclude, based on changes in the competitive environment, that any organization has obtained "significant market power". This may result in increased regulation, influencing how we operate our business.

We continuously monitor changes to the legislative and regulatory environment, including but not limited to those on a country and European level, in order to ensure an appropriate level of compliance. As customer privacy has been a key element in all legislation over the past number of years - including the Dutch Telecommunication Act -, we have intensified our compliance efforts in this area. If, however, we violate laws and regulations despite all our efforts, this may result in fines, loss of reputation and churn.

Operational risks

Our products are at the heart of society and are firmly rooted in our customers' day-to-day lives, so service levels, customer satisfaction and service excellence are our key priorities. The continuity and quality of our (network) operations are crucial to providing our services and subject to the very highest service levels. We must remain pro-active and demonstrate customer insight so that customer satisfaction levels increase even more so we can clearly differentiate ourselves from our competitors. Conversely, if our service levels are not met we may not be able to fulfil our customers' needs, or our customers may not be satisfied with our products or services. This may lead to customer churn or additional costs in order to maintain our customer base.

The success of our products depends on, amongst other things, the quality and the 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 system integrators, network equipment and software suppliers, call centres, installation and logistical partners. In many cases, we have substantially invested in a particular supplier or partner. This makes it difficult for us to change supply and maintenance relationships quickly if our supplier refuses to offer us favourable prices or ceases to provide us with the support that we require.

The multitude of capital intensive projects which Ziggo executes requires strong portfolio management to ensure that resources and funds are properly allocated to achieve 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 in order to safeguard the Company's ability to continue as a going concern, providing returns for our shareholders and benefits for our other stakeholders and maintaining an optimal capital structure. Changes in our business model or the introduction of new and innovative products or services may require a revision of our current capital structure and the introduction of alternative financial instruments. A downgrade in our credit rating may negatively affect our ability to obtain funds from financial institutions. It may also hurt our ability to retain investors and banks and may increase our financing costs by raising the interest rates on our outstanding debt or the interest rates for refinancing existing debt or incurring 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 at least 65-70% 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 depends on our ability to generate cash. Although we anticipate that we will generate positive cash flow after the deduction of interest and taxes, we are exposed to cash flow risks that can affect the level of positive cash flows.

We are subject to increases in operating costs and inflation risks which may adversely affect our earnings. While we attempt to increase our revenues to offset increases in operating costs, there is no guarantee that we will be able to do so at all times and operating costs may rise faster than associated revenues, resulting in a negative impact on our cash flow and net earnings.

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

In the normal course of business a company can enter into discussions about tax positions with the Dutch tax authorities based on its tax returns. There is a risk that the Dutch tax authorities might take a different stance on certain tax positions which can have an impact on the tax position of the company.

On February 7, 2013 we have signed a compliance agreement with the Dutch tax authorities resulting in horizontal monitoring.

The working method of the Dutch tax authorities is changing from vertical monitoring towards horizontal monitoring. Although vertical monitoring will not disappear, horizontal monitoring becomes more important. Where vertical monitoring is based on checking retrospectively, horizontal monitoring is a form of working in the present based on mutual trust, understanding and transparency between the Company and the tax authorities.

Horizontal monitoring consists of two elements. On the one hand, a good relationship between the tax payer and the tax authorities which is recorded in a compliance agreement ('handhavingsconvenant'). On the other hand, good risk detection, which is based on what is known as the tax control framework.

The Dutch tax authorities found the controls and procedures in the Ziggo Tax Control Framework (which is part of the Ziggo Internal Control and Risk Management Framework) more than adequate to conclude a compliance agreement. Having such a compliance agreement enhances the In Control Statement and is a confirmation of our good relationship with the Dutch tax authorities.

Human capital risks

To support our investments in capital-intensive projects, we need to ensure the availability of staff of the highest quality. Specific knowledge and skills are required from our employees, due to the introduction of innovative products and services. Also, the changing nature of our business requires the ability to continuously adjust our processes. Our people strategy, including the strategic staffing plan, provides a solid base attracting and retaining the best employees, taking High Performance Organizations (HPO) as a benchmark. We may however not be able to attract and retain those employees 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. For the continuity of our service delivery and business processes it is necessary to have a reliable IT infrastructure and network. 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 monitor a wide variety of business continuity and security aspects, for example by performing impact analyses on our critical IT infrastructure and network components.

We also ensure our critical IT infrastructure and network components are installed taking into account appropriate levels of redundancy, and continuously replace old technologies by new ones. Despite all efforts, 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 our (strategic) objectives effectively and efficiently, in accordance with the brand values of the Company. The Ziggo Internal Control and Risk Management framework is based on the COSO Enterprise Risk Management framework (COSO ERM). Although the implementation of the Ziggo Internal Control and Risk Management framework initially had a strong focus on managing financial risks, we have gradually extended our scope to managing operational risks as well.

In order to be an innovative Company, we strongly favour exploring new opportunities and are prepared to accept a reasonable amount of risk if these opportunities are likely to contribute to the realisation of our strategic and operational goals. Our risk appetite is determined on internal and external factors, such as market share, customer base, financial results and reputational factors. Based on our risk appetite we require to recognise, assess and control risks at all times, in order to ensure an acceptable level of risk for Ziggo.

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 in a later stage have a significant negative effect on the realization of our (strategic) goals.

Governance oversight			Audit Committee
	Management Board		
	1st line	2nd line	3rd line
Roles	Management	Specialist departments (e.g. Internal Control & Risk Management)	Internal Audit & other assurance providers
Ownership & responsibilties	Ownership, responsibility and accountability for identifying and managing risk & control	Support management in identifying and managing risk & control Support management in design and implementation of the Ziggo Control Framework	Internal independent from operations and finance Independent from design, implementation and execution of risk & control activities Highlight control weakness and inefficiencies to management
Activities	Own and operate	Design, support & challenge	Assurance
	Define requirements for design & control activities Identify and manage (monitor) risk & control Continuously improve, monitor and report on risk & control activities	Design risk & control activities Support in implementation of risk & control activities Define procedures for monitoring and reporting, that support 1st line in meeting its risk and control responsibilities	Provide assurance on the effectiveness of the 1st and 2nd lines in managing risk & control

Responsibilities

We have organized responsibilities for managing risks in accordance with the generally applied principles of the three lines of defence. Firstly, our management has ownership, responsibility and accountability for assessing, controlling and mitigating risk (first line of defence). Secondly, our management has the support of second line of defence functions such as Business Control, Internal Control & Risk Management, Security & Integrity and Compliance, which act as subject matter experts. Finally, Internal Audit forms the third line of defence, being an internal independent from operations and finance, objective assurance and consulting activity designed to add value and improve our operations. Internal Audit helps us accomplishing our objectives by bringing a systematic and disciplined approach to evaluating and improving the effectiveness of risk management, control, and governance processes. Internal Audit reports directly to the Board of Management, represented by the CFO. Furthermore, Internal Audit has direct access to the Supervisory Board Audit Committee.

Systems

The risk management and control systems are embedded in our organization as follows:

Core values

Ziggo's core values are best characterized by being innovative, co-operative, challenging and aiming for simplicity. Integrity and openness are important aspects within these core values. We incorporated our core values in the Ziggo Code of Conduct. This was published towards the end of 2011 and embedded in our organisation by means of a Serious Game during 2012. Besides the Code of Conduct we have a whistleblower procedure in place, ensuring that incidents can be reported anonymously if desired.

Risk and control assessment

We systematically identify, prioritize and analyze risks based on their likelihood and impact on all relevant levels within the organisation, including but not limited to strategic, operational and project level.

As our management is responsible for the design and operating effectiveness of the risk management and control systems in the organisation we view transparency of the outcomes of this process as of the utmost importance. Throughout 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 and the Audit Committee of the Supervisory Board.

Planning and control cycle

Ziggo has a rigorous procedure for setting Company and departmental objectives, budgeting, forecasting and reporting. This encompasses both financial and operational aspects. Reporting on the outcome of our risk management and control systems is part of the regular planning and control cycle.

Policies and procedures

Management establishes and clearly articulates financial reporting objectives, including those related to internal control over financial reporting. We apply a uniform set of operational and financial procedures, including, but not limited to those related to our financial reporting and closing process. Our main accounting policies are incorporated in a digital accounting manual. Necessary segregation of duties is in place and the risk of singular decision making is minimized.

Information Security

As an information service provider we view the protection of information as crucial to the success of our business. Our Security function helps to protect our Company assets, including but not limited to our people, customer services and information sources from a wide range of threats. We go to huge lengths to prevent unexpected losses or reputational damage and to comply with legislation.

We initiated a dedicated information security program in 2012 in order to further improve confidentiality, integrity and availability of information across all our systems and networks.

In Control Statement

Based on the adoption of the Dutch Corporate Governance Code for 2012 Ziggo prepared the In Control Statement 2012 in accordance with best practice provision II.1.5

The Management Board is responsible for establishing and maintaining adequate risk management and control systems. Such systems are designed to manage rather than eliminate the risk that we fail to achieve important business objectives and can only provide reasonable assurances against material misstatement, fraud and the violations of laws and regulations. The implementation of risk management and control systems at Ziggo initially focused on managing financial risks, but will be further enhanced with a view to managing operational risks. New developments, programs and projects and new IT applications and processes serve as input for our control systems.

In the course of 2012, we strengthened the Ziggo Business Control Framework and our regular Control Self Assessment process including more meaningful key controls. Because new functionality in key applications supporting our supply chain processes was recently implemented, not all key financial controls in the supply chain processes were incorporated in our regular Control Self Assessment process in 2012. Mitigating controls have been put in place and newly designed key financial controls will be included in the Ziggo Business Control Framework in 2013. Independent analysis in critical domains were performed in order to supplement the Ziggo Business Control Framework and enhance the level of control.

With due consideration for the above, we believe that our risk management and control systems provide reasonable assurance that our financial reporting does not contain any material errors and that the risk management and control systems relating to financial reporting risks operated adequately in the year under review. Our risk management and control systems can not however provide full guarantees that strategic, operational and financial objectives will be wholly met and that we will at all times be fully compliant with statutory and regulatory requirements. Nor are we able to prevent all human errors, including errors of judgment and mistakes. While doing business, we will, however make a conscious effort at all times to weigh the potential impact of risk and the cost of control in a balanced manner.

Referring to section 5.25c paragraph 2, sub c, of the Financial Markets Supervision Act, the Board of Management states that, to the best of its knowledge:

- The annual financial statements for 2012 give a true and fair view of the assets, liabilities, financial position and profit or loss of Ziggo and its consolidated companies, and
- The Annual Report gives a true and fair view of the position as per December 31, 2012 and, Ziggo's development during 2012 and that of its affiliated companies is included in the annual financial statements, together with a description of the principal risks Ziggo faces.

Corporate governance structure

Ziggo has a two-tier board structure consisting of a Management Board (Raad van Bestuur) and a Supervisory Board (Raad van Commissarissen), in accordance with the Dutch complete structure regime for large companies (volledig structuurregime) as set forth in the provisions of sections 2:158 to 2:162 inclusive and 2:164 of the Dutch Civil Code (Burgerlijk Wetboek), which is being applied by Ziggo.

The Management Board is the executive body and is responsible for the day-to-day management of the operations, supervised by the Supervisory Board. The Management Board is required to keep our Supervisory Board informed, consult with our Supervisory Board on important matters and submit certain important decisions to our Supervisory Board for its approval. The Management Board has four members, supported by [8] Vice Presidents.

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

The powers of the General Meeting of Shareholders include appointing the Supervisory Board members based on nominations by the Supervisory Board (in the case one third of the appointments the Works Council has an enhanced right of recommendation), adopting the financial statements and endorsing the manner in which affairs were conducted during the financial year by the Management Board and the supervision thereof by the Supervisory Board. The annual report, the policy on reserves and dividends and the proposal to distribute a dividend are discussed with the General Meeting of Shareholders. Furthermore the Management Board and the Supervisory Board report to the General Meeting of Shareholders on the corporate governance structure.

The General Meeting of Shareholders may resolve to amend the articles of association of Ziggo on proposal of the Management Board wich has been approved by the Supervisory Board.

Share capital

The authorised share capital of Ziggo N.V. consists of 800,000,000 ordinary shares, each with a nominal value of €1 and 200,000,000 shares have been issued and paid up. All shares are registered shares and are transferable based on the Dutch Securities Giro Act. Each share entitles the holder to cast one vote.

Dutch Corporate Governance Code

The Dutch Corporate Governance Code, which was first published on December 9, 2003, contains both principles and best practice provisions governing relations between the Management Board, the Supervisory Board and the shareholders (i.e. the General Meeting of Shareholders). Dutch companies whose shares are listed on a government recognised stock exchange, whether in the Netherlands (such as Euronext Amsterdam) or elsewhere, are required under Dutch law to disclose in their annual reports whether or not they apply the provisions of the Dutch Corporate Governance Code. In the event that they do not apply a certain provision, they are required to explain why.

We recognise the importance of good corporate governance. The Management Board and the Supervisory Board have reviewed the Dutch Corporate Governance Code and support the best practice provisions thereof. Therefore, except as noted below or in the case of any future deviation, subject to an explanation at the relevant time, we comply with the relevant best practice provisions of the Dutch Corporate Governance Code, as per December 31, 2012.

Departures from the Best Practice Provisions of the Dutch Corporate Governance Code

While we endorse the principles and best practice provisions of the Dutch Corporate Governance Code, we do not comply with the following best practice provisions of the Dutch Corporate Governance Code:

- Ziggo does not comply with best practice provision III.2.1 which requires that all members of the Supervisory Board, with the exception of no more than one person, is independent during the year under review. At Ziggo only four out of the eight members of the Supervisory Board were independent. Warburg Pincus and Cinven, Ziggo's main shareholders prior to Ziggo's Initial Public Offering and still our largest shareholders, entered into a Relationship Agreement with Ziggo, which among other things, contains provisions on the membership of Cinven and Warburg Pincus nominated persons in the Supervisory Board. As a result Messrs. Schull, Best, Berendsen and Barker are non independent members of the Supervisory Board within the meaning of best practice provision III.2.1. Messrs. Berendsen and Best resigned on December 31, 2012 as members of the Supervisory Board.
- Ziggo does not comply with best practice provision III.5 which requires that if the Supervisory Board consists of more than four members, it shall appoint from among its members an Audit Committee, a Remuneration Committee and a selection and Appointment Committee. Our Remuneration Committee and our selection and Appointment Committee are combined. Ziggo is of the opinion that a combined committee is more efficient than two separate committees.
- Ziggo does not comply with best practice provision III.5.1 as only two of the four members of the Audit Committee and of the Selection, Appointment and Remuneration Committee are independent. Warburg Pincus and Cinven, Ziggo's main shareholders prior to Ziggo's Initial Public Offering and still our largest shareholders, entered into a Relationship Agreement with Ziggo which among other things contains provisions on the membership of Cinven and Warburg Pincus nominated persons in these committees.
- Ziggo does not comply with best practice provision III.5.11 which requires that the Remuneration Committee may not be chaired by the chairman of the Supervisory Board as Mr. Sukawaty chairs the Selection, Appointment and Remuneration Committee. It is expected that Mr. Sukawaty will be succeeded as chairman of this Committee by Mrs. Boumeester in the course of 2013.
- Ziggo does not comply with best practice provision IV.3.1 which requires that provision shall be made for all shareholders to follow any meetings with analysts, presentations to analysts, presentations to investors and institutional investors and press conferences real time by means of webcasting or telephone. Ziggo finds it not practical to make these arrangements and regards the lack of flexibility resulting from such arrangements, as not in the interests of relations with the investment community.
- Ziggo is not in compliance with best practice provision II.2.8 which provides that remuneration, in the event of a dismissal, may not exceed one year's fixed salary. In the event that Mr. Dijkhuizen's employment agreement is terminated at Ziggo's initiative for a reason which is not mainly or solely attributable to acts or omissions by Mr. Dijkhuizen and as a result ends prior to January 1, 2014, the basic assumption is that Mr. Dijkhuizen's severance arrangement will be based on the neutral Cantonal Court Formula (kantonrechtersformule) (as currently applicable). This will be increased by the average amount of the short term annual cash incentive awarded over the two years prior to the termination date of his employment agreement. This is a result of commitments in the employment agreement with Mr. Dijkhuizen made prior to the IPO.
- Ziggo does not comply with best practice provision II.2.5, which provides that shares granted to the Management Board without financial compensation must be held for at least 5 years. Ziggo grants shares to its management Board that must be held for at least four years.

Diversity in gender

Ziggo aims for a diverse composition of its Boards regarding experience, background, age and gender. Regarding gender, Ziggo endeavours to comply with article 166 of book 2 Dutch Civil Code and has as a first step nominated Mrs. Pamela Boumeester for appointment as a member of the Supervisory Board.

Corporate Governance declaration

This declaration is made pursuant to the Decree regarding further stipulations for the content of annual reports dated March 20, 2009 ("the Decree"). The statements as meant in article 3, 3a and 3b of the Decree can be found in the following chapters and on the following pages of this annual report and are deemed to be inserted and repeated herein:

- Compliance with principles and best practices of the Corporate Governance Code: chapter Corporate Governance Structure, page 45.
- Most important characteristics of the management and control systems in connection with the Company's financial reporting process: chapter risk management, page 42, 43.
- Information on the functioning of the General Meeting of Shareholders and the most important powers and rights of the General Meeting of Shareholders: chapter Corporate Governance Structure, page 45.
- The composition and functioning of the Management Board: chapter Corporate Governance Structure, page 45 and chapter Board of Management, page 48, 49.
- The composition and functioning of the Supervisory Board: chapter Corporate Governance Structure, page 45 and Supervisory Board page 52, 53, 54, 55.
- Information as meant in the article 3b of the Decree (art 10 Decree Take Over Directive): chapter Corporate Governance, page 45.
- The Management Board, subject to prior approval of the Supervisory Board, has been designated as competent body by the General Meeting of Shareholders to issue shares and grant rights to subscribe for shares in the capital of Ziggo, up to a maximum of 10% of the issued and outstanding share capital of Ziggo and to limit or exclude pre-emptive rights of shareholders upon such issue of shares or a grant of rights to subscribe for shares. Furthermore the Management Board, subject to approval of the Supervisory Board, has been authorized by the General Meeting of Shareholders to acquire, other than for no consideration, shares held by Ziggo of its own capital up to a maximum of to 10% of the issued and outstanding share capital of Ziggo. These designations and authorizations end on September 26, 2013. The Management Board has not used these designations and authorizations.
- Transactions with related parties have been mentioned in Note 25 of the Financial Statements. Ziggo has entered into a Relationship Agreement with Cinven Cable Investments sarl and WP Holdings IV B.V. in connection with the listing of Ziggo at NYSE Euronext Amsterdam. Information on the Relationship Agreement can be found in the prospectus issued in connection with Ziggo's IPO and on Ziggo's website: www.ziggo.com. No transactions with related parties have occurred since the listing of Ziggo at NYSE Euronext Amsterdam.

The Corporate Governance Declaration can also be found on the website of Ziggo: www.ziggo.com

Board of Management

Bernard Dijkhuizen
Bert Groenewegen
Marcel Nijhoff
Paul Hendriks

Utrecht, The Netherlands
March 1, 2013

Board of Management

The statutory Board of Management of Ziggo is comprised of four members, the Chief Executive Officer, the Chief Financial Officer, the Chief Commercial Officer and the Chief Technology Officer.

At the end of the financial year 2012, the Supervisory Board consisted of eight members, including the independent Chairman. The Supervisory Board meets with the Board of Management on a frequent basis and ten times during 2012.

The Board of Management meets on a weekly basis and Senior Management attends on a monthly basis.

Bernard Dijkhuizen

Chief Executive Officer (male, Dutch national, 1949)

Bernard Dijkhuizen has been Chief Executive Officer of the Company since February 2007, when the Company was first 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, Bernard 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. Bernard Dijkhuizen studied Mechanical Engineering at Delft University of Technology. He is chairman of the board of NLkabel and member of the board of WENb.

Bert Groenewegen

Chief Financial Officer (male, 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, Bert 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 Bert 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, Bert 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, Bert Groenewegen also worked for Exact Software in sales and product development. Bert Groenewegen studied business administration at the Tilburg University.

Marcel Nijhoff

Chief Commercial Officer (male, 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 in accordance with the Articles of Association in 2006. Prior to joining Zesko Holding B.V.'s Management Board, Marcel Nijhoff was Chief Executive Offer of Multikabel N.V. for two years and Commercial Director from 2001 to 2005. Marcel 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 (male, 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 in accordance with 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. Paul Hendriks has been a consultant, project manager and the architect in a range of restructurings, reorganizations and innovations.

Organization

Reporting to the Company's Chief Executive Officer (Bernard Dijkhuizen):

1. Human Resources
2. Strategy & Legal
3. Corporate Communications

Reporting to the Chief Financial Officer (Bert Groenewegen):

1. Accounting, Financial & Business Control
2. Internal Control & Risk Management (IC&RM)
3. Internal Audit
4. Investor Relations
5. Facilities
6. Procurement & Logistics
7. Tax

Reporting to the Chief Commercial Officer (Marcel Nijhoff):

1. B2B (Ziggo Zakelijk)
2. Consumer Markets & Sales
3. Consumer Relations
4. Consumer Products & Innovation

Reporting to the Chief Technical Officer (Paul Hendriks):

1. Development
2. Operations
3. Regional Operations & Monitoring

Chairman's Statement

The year 2012 was a milestone for Ziggo. Our listing on the Amsterdam stock exchange was a defining moment, connecting us with a broad audience around the globe. The success of the IPO served as a confirmation of Ziggo's strength, bringing important benefits to our shareholders, employees and customers.

"The year 2012 was a milestone for Ziggo."

A long and rigorous preparation process laid the foundation for this success. The management and staff of Ziggo set the stage for this success through the delivery of solid business performance. The close collaboration between the Supervisory Board, Management Board and the Works Council during the IPO, as well as the appointment of new Supervisory Board members, provided a sustainable model of cooperation for the future as a listed Company.

The successful execution of the IPO was recognized in the Financial Services industry as we were honoured to be awarded the prestigious "EMEA Equity Issue of the Year" accolade by the International Financing Review (IFR) in December.

Shareholders

The listing demonstrated that Ziggo is a global leader in its field by attracting a truly international shareholder base. It also allowed our long-term shareholders Cinven and Warburg Pincus to gradually reduce their shareholding. They have been valued partners for many years and through their patient investment and support, they have helped Ziggo to become the strong Company it is today. The diversification of our shareholder base and the public listing enables us to continue on our path investing in new services to drive growth.

Customers

The IPO sets us on a path to continue to invest in our strategy of offering our customers world-leading products and services at attractive prices. Our customers and the service we provide to them are at the heart of our strategy. This is underlined in the design of our annual bonus structure for staff: one quarter to one third of the bonus of every Ziggo employee, including that of the Management Board, is based on the achievement of improved customer satisfaction ratings.

Employees

Ziggo strongly believes that the success of our Company is determined by our employees. To support this at the IPO we offered each staff member a share in the success of our business during the IPO through a share option scheme. Two-thirds of our employees chose to participate and opted for shares instead of a cash bonus, an important sign of their confidence in our Company. It stems from their enthusiasm for working at a Company which invests in new market leading and innovative products and services that entertain and enhance people's lives.

Our two major shareholders significantly reduced their stakes in 2012. As a result Warburg Pincus managing director Paul Best and Cinven partner Caspar Berendsen stepped off the Supervisory Board as per December 31, 2012. We would like to thank them both for their significant contributions to the Company's development over the years.

We are delighted to welcome Rob Ruijter as a member of the Supervisory Board and as chairman of the Audit Committee. We are also pleased to announce the nomination of Pamela Boumeester as a member of the Supervisory Board. We are confident that her broad experience both as a supervisor and as an executive director will be a valuable addition to the Supervisory Board.

We would like to thank our investors, customers and staff for their confidence in and commitment to Ziggo which combined to make this transformational year for us happen. We intend to continue following our path of growth and investment in the years ahead and will work hard to deliver on our commitments to all of our stakeholders.

Andy Sukawaty,
Chairman Supervisory Board

Utrecht, The Netherlands
March 1, 2013

Composition of the Supervisory Board

Andrew (Andy) Sukawaty (Chairman)

Chairman (male, American national, 1955)

Andy Sukawaty joined Zesko Holding B.V.'s Supervisory Board in 2008 and serves as its Chairman. He is also the Executive Chairman of Inmarsat, a global mobile satellite communications service provider. He was formerly Chairman of Xyratex Ltd, Chairman of Telenet Communications NV and Deputy Chairman of O2 plc. Andy was CEO and President of Sprint PCS in the United States from 1996 to 2000. Andy Sukawaty is the Chairman of the Selection, Appointment and Remuneration Committee.

David Barker (Cinven)

Member (male, British national, 1968)

David Barker joined Zesko Holding B.V.'s Supervisory Board in 2006. David Barker joined Cinven in 1996 and is head of Cinven's Technology, Media and Telecommunications sector team. He was involved in a number of transactions, including Ziggo, Eutelsat, Springer, Aprovia and MediMedia. David Barker is a member of the Selection, Appointment and Remuneration Committee.

Caspar Berendsen (Cinven)[1]

Member (male, 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 was 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 his work at Ziggo, he is a director of Guardian Financial Services and Avolon. In the year under review, Caspar Berendsen was a member of the Audit Committee. Caspar Berendsen resigned on December 31, 2012 as member of the Supervisory Board.

Paul Best (Warburg Pincus)[1]

Member (male, British national, 1978)

Paul Best joined Zesko Holding B.V.'s Supervisory Board in 2006. Paul Best joined Warburg Pincus in 2002 and was 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. Paul Best was a member of the Audit Committee during the year under review. Paul Best resigned on December 31, 2012 as member of the Supervisory Board.

[1] In October of this year Cinven and Warburg Pincus have further reduced their shareholdings in Ziggo, each to a percentage below 20%. As a consequence thereof and in line with the relationship agreement concluded between Ziggo, Warburg Pincus and Cinven at the IPO of Ziggo, Paul Best and Caspar Berendsen have resigned as members of the Supervisory Board of Ziggo as per December 31, 2012.

Joseph Schull (Warburg Pincus)

Member (male, Canadian national, 1961)

Joseph Schull joined Zesko Holding B.V.'s Supervisory Board in 2006. He joined Warburg Pincus in 1998, and currently bears responsibility for the firm's European investment activities, and is member of the firm's Executive Management Group, which coordinates the firm's activities on a worldwide basis. He was involved in a number of investments, including Zentiva, Loyalty Management Group, Fibernet, Multikabel and United Internet. He is currently a Director of MACH, a leading global provider of billing and settlement services to the mobile telecom industry. Joseph Schull is a member of the Selection, Appointment and Remuneration Committee.

Dirk Jan van den Berg

Member (male, 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. Dirk Jan 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. Dirk Jan van den Berg is a member of the Selection, Appointment and Remuneration Committee.

Anne Willem Kist

Member (male, Dutch national, 1945)

Anne Willem Kist joined Zesko Holding B.V.'s Supervisory Board in 2009. Anne Willem Kist regularly advises the Ministry of Infrastructure and Environment. He 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.Anne Willem Kist also served as Chairman of the Board of the University of Leiden from 2003 to 2005. He began his career as a lawyer, and was a partner at Loeff Claeys Verbeke and Pels Rijcken & Droogleever Fortuijn between 1979 and 1997. Anne Willem Kist is a member of the Audit Committee.

Rob Ruijter

Member (male, Dutch national, 1951)

Rob Ruijter previously held financial Executive Board positions at Philips Lighting, Baan, KLM, VNU and ASM International. He currently has an advisory role at Verdonck Klooster & Associates and is a Supervisory Board member at Unit 4 N.V. and Wavin N.V. Rob Ruijter is the chairman of the Audit Committee.

The Initial Public Offering of Ziggo required a corporate restructuring. This resulted in Ziggo N.V. becoming the top holding of the Ziggo group of companies and the listing of Ziggo N.V. shares at NYSE Euronext Amsterdam. In addition, a Supervisory Board at the level of Ziggo N.V. was appointed on March 21, 2012. Preparations for the IPO were largely conducted under the supervision of the Supervisory Board of Zesko Holding B.V. in 2011 and 2012. These preparations included among others a corporate restructuring, a refinancing, bringing corporate governance in line with the requirements for a listed company and the introduction of an Audit Committee and a Selection, Appointment and Remuneration Committee.

Report of the Supervisory Board

The members of the Supervisory Board of Zesko Holding B.V., the previous top holding Company, were all appointed members of the Supervisory Board of Ziggo N.V. on March 20, 2012 and Rob Ruijter was appointed as an additional Supervisory Board member. On March 20, 2012 Messrs. Sukawaty, Ruijter, Barker and Schull were appointed for a period of 4 years and Messrs. Kist, van den Berg, Berendsen and Best for 3 years. The newly formed Audit Committee is chaired by Rob Ruijter, and the newly formed Selection, Appointment and Remuneration Committee is chaired by Andy Sukawaty.

In the course of 2012, the majority shareholders Warburg Pincus and Cinven reduced their stakes in Ziggo N.V. in three steps, each to a shareholding below 20%. As a result thereof and in line with the Relationship Agreement concluded between Ziggo, Warburg Pincus and Cinven, Paul Best and Caspar Berendsen decided to resign as per December 31, 2012.

The Supervisory Board will nominate Pamela Boumeester for appointment at the Annual general Meeting of Shareholders (AGM). This is conditional upon the AGM not making an alternative proposal.

In the view of the Supervisory Board, its current size and composition are appropriate in view of the nature and size of Ziggo. The Supervisory Board reflects all aspects of Ziggo, including expertise in fields such as the telecommunication industry, finance, regulatory and public affairs.

The particulars of the members of the Supervisory Board are mentioned on page 52 and 53.

Meetings

The Supervisory Board of Ziggo N.V. met 10 times in 2012. Before the Supervisory Board was instituted on March 20, 2012 the Supervisory Board of Zesko Holding B.V. discussed preparations for Ziggo's Initial Public Offering amongst other things.

Two members were each unable to join two meetings. All meetings were held in the presence of the members of the Management Board and the corporate secretary.

The principal matters discussed during the regular meetings were:

- Initial Public Offering
- Strategy
- Financing
- Internal control and risk management
- Monthly, quarterly, semi-annual and annual results
- Remuneration and targets of the Management Board
- Budget
- Potential acquisitions
- Regulatory and public affairs
- Mobile spectrum auction
- Self assessment

The Selection, Appointment and Remuneration Committee convened four times and discussed the long term remuneration of the Management Board based on the long term incentive plan. The Remuneration Report on page 56 contains the outcome of these discussions.

The Audit Committee convened three times in 2012 to discuss the Q1, half year and Q3 figures and once in 2013 to discuss the Q4 and full year figures. All meetings were attended by the Company's auditors. Recurring items on the agenda were:

- The quarterly results and the financial statements;
- Most important findings of the auditors based on the review of the quarterly results and the financial statements;
- Management letter and auditor's report;
- Press releases;
- Key findings of internal audit and the internal audit program;
- Key findings of Internal Control & Risk Management (IC&RM);
- Management of interest rate risks and hedges;
- Capital expenditure;

- Preparation by the Company for the corporate governance and in control statement;
- Tax position of the Company and tax related items;
- Legal proceedings and provisions.

In addition to the regular topics, special attention was paid to the following items:

- The corporate restructuring in connection with the IPO;
- The change in accounting framework for corporate financial statements from Dutch General Accepted Accounting Principles (Dutch GAAP) to International Financial Reporting Standards as adopted by the European Union (IFRS-EU);
- The difference between the consolidated shareholders' equity balance and the corporate equity balance due to the abovementioned change in the accounting framework;
- Impairment test on assets with an indefinite live and finite live and the pre-tax wacc, including the components of the wacc;
- Share-based payment transactions and accounting for these transaction as equity-settled share-based payment transactions in the financial statements;
- Non-recurring items, such as interest on shareholder loans and IPO related expenses;
- The issuance of the in control statement by the Management Board and the inclusion of this statement in the annual report.

The Board held a self assessment in 2012 and concluded that the composition and the functioning of the Board in 2012 were satisfactory.

Supervisory Board

Andy Sukawaty
David Barker
Caspar Berendsen
Paul Best
Joseph Schull
Dirk Jan van den Berg
Anne Willem Kist
Rob Ruijter

Utrecht, The Netherlands
March 1, 2013

Remuneration Report

The objective of Ziggo's remuneration policy is to provide a remuneration structure that: (a) Creates a remuneration structure that will allow Ziggo to attract, reward and retain highly qualified executives; and (b) Provides and motivates members of the Management Board with a balanced and competitive remuneration focused on sustainable results and aligned with the long term strategy of Ziggo. The General Meeting of Shareholders of Ziggo held on February 21, 2012 has adopted the remuneration policy and the remuneration of the members of the Supervisory Board and has approved the long term incentive plan. The individual remuneration of the members of the Management Board has been determined in accordance with this policy, as described below, and any deviations therof are indicated.

Management Board

In determining the level and the structure of the remuneration of the members of the Management Board, the Supervisory Board took into account, among other things, the financial and operational results as well as non-financial indicators relevant to Ziggo's long-term objectives. The Supervisory Board performed and will continue to perform scenario analyses to assess that the outcomes of variable remuneration components appropriately reflect performance. This is done with due regard to the risks to which the variable remuneration may expose Ziggo. The Supervisory Board engaged an independent consultant who rendered advice regarding remuneration. He based this on scenario analyses regarding the possible outcome of the variable components of the remuneration of the Management Board and the consequences for the remuneration of the Management Board. In determining the remuneration of the Management Board members, the Supervisory Board also takes into account the impact of the overall remuneration of the Management Board on the pay differential within Ziggo. The remuneration of the Management Board is determined at a range between the median and a 75th percentile of remuneration levels payable within a peer group of comparable national and international companies relevant to the Company from a labour market perspective.

The remuneration structure of the members of the Management Board consists of the following components:

- A fixed, base salary, in addition to which, the members of the Management Board have pension and fringe benefits including a Company car, customary insurance and holiday allowance;
- A variable, annual cash bonus, related to performance in the previous year to ensure that the Management Board has a healthy incentive to achieve performance targets in the shorter term;
- A long-term variable incentive, in the form of conditional performance shares;
- Severance arrangements.

The variable annual cash bonus for 2012 depended on a weighted score based on the following criteria: customer satisfaction, turnover, EBITDA and cash flow (EBITDA minus capex). The maximum percentage for the variable annual cash bonus was set at 70% of base salary for the CEO and 60% of base salary for the other members of the Management Board. Ziggo does not disclose specific details on these performance targets, as this is considered commercially sensitive information. The criteria for 2013 are the same, with the exception of EBITDA which was replaced by the realisation of certain elements of our innovation roadmap. Members of the Management Board are eligible for long term incentive awards. This helps to align the interests of the Management Board members with those of its long-term (or prospective) shareholders and provides an incentive for the longer-term commitment and retention of the Management Board members.

The Ziggo LTI Plan is administered and executed by (and at the discretion of) the Supervisory Board. Its main features are as follows:

- Annual grants of conditional performance shares in Ziggo.
- The conditional performance shares vest and are delivered to the Management Board members three years after the grant date, subject to continued employment and to achievement of annual targets for the three-year Company plan (as determined by the Supervisory Board), which may include targets such as customer satisfaction, turnover, EBITDA and cash flow.
- The number of conditional performance shares granted shall be based on percentages of base salary payable within a relevant peer group of comparable national and international companies at a range between the median and the 75th percentile level, which can be extended to 120% of this level.
- The number of performance shares vesting after 3 years may vary between 0% and 150% of the shares granted, depending on the extent to which performance targets have been met.
- A lock-up applies during one year after vesting.

Ziggo does not disclose specific details on these performance targets, as this is considered commercially sensitive information.

Further information and a specification of the remuneration for the individual members of the Management Board is included in the notes to the consolidated financial statements, note 7 on page 77. The contractual severance arrangements of the members of the Management Board comply with the Dutch Corporate Governance Code, i.e. such severance applies in case of termination of employment by or at the initiative of the company (except in case of termination for an "urgent cause" within the meaning of articles 7:677 (1) and 678 Dutch Civil Code) and does not exceed one annual base salary (including holiday allowance) [1].

The Supervisory Board has the authority to deviate from the policies set out here, if it considers it necessary or desirable to do so in specific individual cases in order to attract and reward the most qualified members of the Management Board now and in the future. The Supervisory Board will exercise this authority in the coming years if it believes this is necessary and in the interest of the Company. If any variable remuneration component conditionally awarded to a member of the Management Board in a previous financial year would, in the opinion of the Supervisory Board, produce an unfair result, the Supervisory Board has the power to adjust the value downwards or upwards. This may occur due to extraordinary circumstances during the period in which the predetermined performance criteria have been or should have been achieved.

Furthermore, the Supervisory Board may recover from a member of the Management Board any variable remuneration awarded on the basis of incorrect financial or other data (claw back clause), which are materially incorrect, if such incorrectness is mainly attributable to acts or omissions of the Management Board member (e.g. resulting from fraud or gross negligence). The Supervisory Board is authorised to amend the claw back provisions if new legislation regarding the adjustment or claw-back of variable remuneration is adopted.
The Supervisory Board expects to continue the Remuneration Policy described above in 2013 and in subsequent years.

Supervisory Board

The remuneration of the Supervisory Board was changed from April 1, 2012. This was due to the IPO and the formal institution of an Audit Committee and a Selection, Appointment and Remuneration Committee. Supervisory Board members receive an annual fee of €50,000 and a fee of €7,500 for membership of a committee, with following exceptions: Rob Ruijter receives a fee of €25,000 for chairing the Audit Committee. Andy Sukawaty received a remuneration of €290,000 in 2012 as chairman of the Supervisory Board. He does not receive a separate remuneration for his membership and chairmanship of the Selection, Appointment and Remuneration Committee.

Further information and a specification of the remuneration for the individual members of the Supervisory Board is included in the notes to the consolidated financial statements, note 7 on page 77. Andy Sukawaty agreed prior to the IPO in 2012 to waive his entitlement to part of his annual cash remuneration and to all of his annual equity remuneration. Andy Sukawaty's remuneration in 2013 for his engagement as chairman of the Supervisory Board will be €190,000 and €90,000 in 2014. As a compensation for this waiver Andy Sukawaty has received €300,000 from Ziggo prior to the closing of the IPO. As compensation for waiving his annual equity remuneration after the IPO Andy Sukawaty received €1,100,000, which he has invested on an after-tax basis in shares for which a lock-up period of two years applies. The aforementioned compensation amounts are subject to a pro rata claw back if Andy Sukawaty ceases to be the chairman of the Supervisory Board before the end of his current term in 2016.

Share-based payment upon IPO

In March 2012, shares in the Company were granted by Cinven Cable Investments S.à r.l. and WP Holdings IV B.V. to members of the Board of Management, the chairman of the Supervisory Board and certain employees of the Company. The fair value of the share-based payments on the grant date amounted to €20.0 million, consisting of ordinary shares with a nominal value of €18.50 per share. There are no additional vesting conditions and shares are granted immediately. The share-based payment is accounted for as an equity settled share-based payment transaction. Therefore, this transaction is recognised under personnel costs and equity; the transaction did not affect the Company's cash flow and did not dilute shareholders' equity.

[1] Based on existing contractual arrangements with Mr. Dijkhuizen, the following contractual severance arrangement shall apply if the employment agreement with Mr. Dijkhuizen is terminated at the Company's initiative and ends prior to January 1, 2014 for a reason that is not mainly or solely attributable to acts or omissions of Mr. Dijkhuizen. The basic assumption is that Mr. Dijkhuizen's severance arrangement shall then be based on the neutral Cantonal Court Formula (as currently applicable). In this case, one annual base salary increased by the average amount of the short term annual cash incentive awarded over the two years prior to the termination date of the employment agreement shall serve as a minimum severance amount.

Watch

On demand

Over 1,000 films and series are On Demand available for almost 360,000 customers owning an interactive set-top box.

TV Series Films

Tablet or smartphone

The Ziggo TV app for iOS and Android tablets and smartphones provides live streaming TV for 48 TV channels in and around the house via WiFi.

Home
TV Kijken
TV Gids
On Demand
Nieuws
Media Nieuws
Nu & Straks
TV Tips
NOS Journaal
Lingo (TROS)
De film van Ome Wil...
RTL Travel
Tel sell
Tommy Teleshopping
RTL Z Nieuws
Anouk Smulders gen...
Dit is het huis van E...
10:20
On Demand
Avengers, The
Films
Series
TV Gemist
Sport
Muziek
TV Gids
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On Demand
Nieuws
Meer
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Contents Financial statements

Consolidated statement of income

For the years ended December 31

Amounts in thousands of € (except per share data)	Note	2012	2011
Revenues	5	**1,536,865**	**1,478,169**
Cost of goods sold		295,013	291,147
Personnel expenses	6, 7	225,525	175,574
Contracted work		51,526	51,162
Materials & logistics		3,750	6,035
Marketing & sales		61,507	68,514
Office expenses		54,757	49,564
Other operating expenses		4,034	1,571
Amortisation and impairments	10	28,407	79,939
Depreciation and impairments	11	250,707	268,014
Total operating expenses		**975,226**	**991,520**
Operating income		**561,639**	**486,649**
Net financial income (expense)	8	(284,803)	(464,193)
Result before income taxes		**276,836**	**22,456**
Net result of joint ventures and associates (after tax)	13	(9,389)	(168)
Income tax benefit (expense)	9	(74,677)	(7,784)
Net result for the year		**192,770**	**14,504**
Net result attributable to equity holders		**192,770**	**14,504**
Number of shares outstanding (in thousands)		200,000	200,000
Earnings per share - basic (in €)		0.96	0.07
Earnings per share - dilutive (in €)		0.96	0.07

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

Consolidated statement of comprehensive income

For the years ended December 31

Amounts in thousands of €	2012	2011
Net result for the year	**192,770**	**14,504**
Cash flow hedges, net of tax	3,462	7,311
Total comprehensive income for the year	**196,232**	**21,815**
Total comprehensive income attributable to equity holders	196,232	21,815

Consolidated statement of financial position

Amounts in thousands of €	Note	December 31, 2012	December 31, 2011
ASSETS			
Intangible assets	10	3,358,387	3,359,736
Property and equipment	11	1,434,080	1,421,386
Other non-current financial assets	12	719	402
Investments in joint ventures	13	3,556	-
Deferred tax assets	9	223,733	272,225
Total non-current assets		**5,020,475**	**5,053,749**
Inventories	14	27,889	32,180
Trade accounts receivable	15	18,240	25,753
Other current assets	16	24,914	26,813
Cash and cash equivalents	17	92,428	112,679
Total current assets		**163,471**	**197,425**
Total assets		**5,183,946**	**5,251,174**
EQUITY AND LIABILITIES			
Issued share capital		200,000	65
Share premium		3,500,000	36,647
Other reserves		(4,327)	(7,789)
Treasury stock		(36)	-
Retained earnings		(2,316,733)	(1,090,562)
Equity attributable to equity holders	18	**1,378,904**	**(1,061,639)**
Interest bearing loans	19	2,943,816	3,257,243
Interest bearing loans from shareholders	20	-	2,281,218
Derivative financial instruments	27	63,236	46,796
Provisions	21	23,059	24,886
Deferred tax liabilities	9	407,824	382,780
Other non-current liabilities	22	204	214
Total non-current liabilities		**3,438,139**	**5,993,137**
Deferred revenues		109,692	115,876
Derivative financial instruments	27	-	10,267
Provisions	21	7,480	6,892
Trade accounts payable		85,563	74,417
Corporate income tax	9	2,323	-
Other current liabilities	23	161,845	112,224
Total current liabilities		**366,903**	**319,676**
Total equity and liabilities		**5,183,946**	**5,251,174**

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

Consolidated statement of changes in equity

Amounts in thousands of €

	Issued capital	Share premium	Cash flow hedge reserve	Treasury shares	Retained earnings	Total equity
Balance at December 31, 2010	**20**	**36,647**	**(15,100)**	**-**	**(1,105,066)**	**(1,083,499)**
Comprehensive income						
Net result for the year 2011	-	-	-	-	14,504	14,504
other comprehensive income:						
cash flow hedges, net of tax	-	-	7,311	-	-	7,311
Total comprehensive income	-	-	7,311		14,504	21,815
Transactions with shareholders						
Establishment of Ziggo N.V.	45	-	-	-	-	45
Balance at December 31, 2011	**65**	**36,647**	**(7,789)**	**-**	**(1,090,562)**	**(1,061,639)**
Comprehensive income						
Net profit for the year 2012	-	-	-	-	192,770	192,770
other comprehensive income:						
cash flow hedges, net of tax	-	-	3,462	-	-	3,462
Total comprehensive income	**-**	**-**	**3,462**	**-**	**192,770**	**196,232**
Transactions with shareholders						
Share issuance	199,955	3,500,000	-	-	-	3,699,955
Effect of pooling of interest accounting	(20)	(36,647)	-	-	(1,329,141)	(1,365,808)
Conversion of shareholders loans into equity	**199,935**	**3,463,353**	**-**	**-**	**(1,329,141)**	**2,334,147**
Dividend payment	-	-	-	-	(110,000)	(110,000)
Purchase of treasury stock	-	-	-	(36)	-	(36)
Share-based payment	-	-	-	-	20,200	20,200
Total transaction with shareholders	**199,935**	**3,463,353**	**-**	**(36)**	**(1,418,941)**	**2,244,311**
Balance at December 31, 2012	**200,000**	**3,500,000**	**(4,327)**	**(36)**	**(2,316,733)**	**1,378,904**

Consolidated statement of cash flows

For the years ended December 31

Amounts in thousands of €	Note	2012	2011
Operating activities			
Result before income taxes		276,836	22,456
Adjustments for:			
Amortisation and impairments	10	28,407	79,939
Depreciation and impairments	11	250,707	268,014
Share-based payment		20,200	-
Movement in provisions	21	(1,020)	(7,974)
Net financial expense	8	284,803	464,193
Operating cash flow before changes in working capital		**859,933**	**826,628**
Changes in working capital relating to:			
Inventories	14	4,291	(13,634)
Trade accounts receivable	15	7,513	(5,386)
Other current assets	16	1,903	6,502
Trade accounts payable		10,908	(7,712)
Deferred revenues		(6,184)	18,125
Other current liabilities	23	42,685	(4,657)
Change in working capital		**61,116**	**(6,762)**
Net cash flow from operating activities		**921,049**	**819,866**
Investing activities			
Purchase of intangible and tangible assets	10,11	(279,650)	(242,918)
Purchase of business combination	4	-	(7,413)
Additional contribution to joint ventures	13	(12,954)	(15)
Treasury stock		(36)	-
Interest received		426	513
Change in financial assets		(155)	(6)
Net cash flow used in investing activities		**(292,369)**	**(249,839)**
Financing activities			
Proceeds from loans	19	-	460,431
Repayments of loans	19	(320,000)	(708,858)
Interest paid	17	(217,906)	(267,005)
Dividend paid	17	(110,000)	-
Establishment of Ziggo N.V.		-	45
Financing and commitment fees		(1,025)	(8,964)
Net cash flow from financing activities		**(648,931)**	**(524,351)**
Net (decrease) / increase in cash and cash equivalents		**(20,251)**	**45,676**
Net cash and cash equivalents at January 1		112,679	67,003
Net cash flow from operating, investing and financing activities		(20,251)	45,676
Net cash and cash equivalents at December 31	15	**92,428**	**112,679**

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

Notes to the consolidated financial statements

1 The Company and its operations

The Company is the owner and operator of a broadband cable network in the Netherlands and provides analogue and digital radio and television, broadband internet and telephony services in the Netherlands to 2.9 million households and businesses under the brand name Ziggo. The principal activity of the Company is the exploitation of its broadband cable network.

Corporate restructuring and initial public offering

Ziggo N.V., as a legal entity, was established on April 1, 2011 with the purpose to acquire all subsidiaries of its parent company Zesko Holding B.V. upon the Initial Public Offering (IPO) of (part of) the Company's shares at the NYSE Euronext in Amsterdam. Zesko Holding B.V. was wholly owned by Even Investments 2 S.à.r.l., whose shareholders were investment funds that were ultimately managed by the private equity companies Cinven Limited and Warburg Pincus LLC. Prior to the IPO, but as an integral part thereof, the following corporate restructuring took place.

Until the IPO Even Investments 2 S.à.r.l. provided shareholder loans to Zesko B.V., a subsidiary of Zesko Holding B.V. On March 20, 2012, Even Investments 2 S.à.r.l. granted these shareholder loans including accrued interest with an aggregated carrying amount of €2,334 million to Zesko Holding B.V. Subsequently Zesko B.V. issued shares to Zesko Holding B.V. up to an amount equal to the accrued interest. Then Zesko Holding B.V. granted the loans to Zesko B.V. in the form of share premium. Zesko Holding B.V. contributed Zesko B.V. to the Company in exchange for the issuance of shares and share premium to finalize the corporate restructuring.

As a result of the above on March 20, 2012 Ziggo N.V. issued 200 million shares with a nominal value of €1 to its existing shareholders, which subsequently offered 25% of the total share capital to the public on March 21, 2012. Shares offered were priced at €18.50 per ordinary share, representing a market capitalisation of the Company of €3.7 billion.

The contribution of Zesko B.V. to the Company is accounted for as a continuation of Zesko B.V. under the pooling of interest method, as the transaction did not result in a change of economic substance in terms of the composition of the Ziggo group. The difference between the carrying amount of the net assets of Zesko B.V. and the nominal value of the shares is reflected in shareholders' equity (i.e., the difference between the fair value (€3.7 billion) and the nominal value of the shares issued (€0.2 billion) is recorded as share premium, with the difference between the carrying amount of the net assets and the fair value being deducted from retained earnings (€1.3 billion)). No new goodwill has been recognised as a result of the transaction. The net increase of equity as a result of the overall corporate restructuring of €2.3 billion fully relates to the conversion of the shareholder loans into equity.

The Company retrospectively recognised the contribution of Zesko B.V. As a consequence the information for 2012 as well the comparative information is presented as if the Company and Zesko B.V. have always been combined.

2 Basis of preparation

Date of authorisation of issue

The consolidated financial statements of Ziggo N.V. for the year ended December 31, 2012 were prepared by the Board of Management and adopted on March 1, 2013. The Company is a public limited company incorporated in Utrecht (registered office: Atoomweg 100, 3542 AB Utrecht) in the Netherlands.

Statement of compliance

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

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 December 31, 2012. The financial statements of the subsidiaries are prepared for the same financial 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 28.

Use of estimates and assumptions

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

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

Changes in accounting estimates

Customer lists, which are initially measured at fair value, were recognised as an asset with an indefinite life in 2012. In the first quarter of 2011, management concluded it was no longer able to estimate the useful life of the customer relationships as a result of low attrition rates and increased number of products per active connection, and consequently assessed it to be indefinite. The change was accounted for prospectively as from April 1, 2011 as a change in accounting estimates; as a result, the amortisation charges of the Company for the year 2011 amounted to €44.1 million.

3 Significant accounting policies

Significant accounting policies applied in the preparation of the consolidated financial statements are presented below. These policies have been consistently applied through all 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), which makes decisions as to the resources to be allocated to the segment and assesses its performance, based on discrete financial information available.

Segment results 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 on the basis of several measures, of which operating income excluding depreciation and amortisation (EBITDA) is the most important. Segment assets and liabilities do not include corporate assets and liabilities and income tax assets and liabilities. Segment capital expenditure is the total cost incurred during the period to acquire property, plant and equipment, and intangible assets other than goodwill.

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

- Chief Operating Decision Maker (Board of Management of the Company) makes decisions on the basis of financial results for the Company as one company;
- The Company has only one geographic area in which it operates;
- The Company has an integrated network for all activities;
- The Company's investments and related costs are not allocated to its specific business lines or products.

Business combinations

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.

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 being recognised in the statement of income. Contingent consideration that is classified as equity is not re-measured at subsequent reporting dates until it is finally settled within equity.

Share-based payments

Members of the Board of Management of the Company are eligible for share-based payment arrangements in return for services delivered and will be granted shares based on the performance of the Company. The share-based payment transactions are accounted for by the Company as equity-settled share-based payment transactions, in which the entity receives goods or services as consideration for equity instruments of the entity. The employees have the option to settle income tax by selling part of the shares.

The services received by the Company in a share based payment transaction are recognised when the services are rendered. The Company recognises a corresponding increase in equity, and as the services are consumed over a three year period an expense is recognised accordingly, with an estimate of the total costs being made and spread over the applicable period of the arrangement. Services received and the corresponding increase in equity are measured at fair value at the grant date.

The performance shares granted each year will vest in three years; one-third is to be decided upon every year, depending on the defined vesting conditions.

Intangible assets

Goodwill

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

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. The Company identifies one cash generating unit, as the network of the company services all business operations and cannot be allocated to specific segments. The cash generating unit is tested for impairment annually.

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.

Other intangible assets

Intangible assets acquired separately are measured at cost on initial recognition. The cost of intangible assets acquired in a business combination is 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 statement of income 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 their useful economic lives 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 acquired upon the merger into Ziggo in 2008 represent the customer relationships of Multikabel, Casema and @Home. Customer lists, which are initially measured at fair value, are recognised as an asset with an indefinite life due to low attrition rates resulting in an undefined useful life of a customer relationship. The asset is tested for impairment at least annually.

Software is amortised in 3-5 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 statement of income 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 directly attributable office expenses. The present value of the expected cost for the decommissioning of the asset after its use is included in the cost of the respective asset if the recognition criteria for a provision are met.

Borrowing costs directly attributable to the acquisition, construction or production of an asset that 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 statement of income 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. The Company didn't have financial lease contracts in 2012.

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 statement of income on a straight-line basis over the lease term.

Impairment of non-financial assets

The Company assesses at each financial year-end 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 substantiated by valuation multiples, quoted share prices for publicly traded subsidiaries or other available fair value indicators.

Impairment losses of continuing operations recognised in the statement of income 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 statement of income. Impairment losses recognised in relation to goodwill are not reversed for subsequent increases in its recoverable amount.

Goodwill and other assets with indefinite lives are reviewed for impairment, annually or more frequently if events or changes in circumstances indicate that their carrying amounts may be impaired. An indicator for impairment may be a drop in the share price of Ziggo N.V. below the issue price of €18.50. Impairment is determined for goodwill by assessing the recoverable amount of the cash-generating unit (or group of cash-generating units) to which the goodwill relates. The recoverable amount is the higher of the cash-generating unit's fair value less cost to sell and its value in use. The value in use of the cash-generating unit is determined using the discounted cash flow method. Where the recoverable amount of the cash-generating unit is less than the carrying amount of the cash-generating unit to which goodwill has been allocated, an impairment loss is recognised. Impairment losses relating to goodwill cannot be reversed in future periods.

Investments in joint ventures and associates

A joint venture is a 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% and 50% 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 statement of income net of any reimbursement.

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

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

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

Contributions to defined contribution plans are recognised as 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 statement of income 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.

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. Cash and cash equivalents comprise cash balances and call deposits with original maturities of three months or less.

Financial liabilities

The Company initially recognises debt securities issued and subordinated liabilities on the date they 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, with the difference in the respective carrying amounts being recognised in the statement of income.

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.

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 the reporting date, taking into account the current interest rates and creditworthiness of the swap counter parties. As a result of the refinancing of the Company in October 2010, hedge accounting is no longer applied. Since October 2010 changes in the fair value of derivatives that are designated and qualify as fair value hedges are recorded in the statement of income. Until October 2010 changes in the fair value were recorded as hedge reserve in shareholders' equity. This hedge reserve is charged linear to the income statement since October 2010 based on the term of the underlying hedge instrument.

The fair values of various derivative instruments used for hedging purposes are disclosed in Note 27. The full fair value of a hedging derivative is classified as a non-current asset or liability 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.

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

Revenue recognition

Revenue is recognised to the extent that it is probable that the economic benefits will flow to the Company and the revenue can be reliably measured.

Revenue primarily comprises revenues earned from subscription and usage fees on the delivery of standard cable (analogue and digital signal) and digital pay television, broadband internet and telephony and subscriptions and services provided to the business market. Revenue from other sources primarily comprises revenue from the sale of Settop-boxes and other goods, revenues customer care service numbers, revenues from connection- and installation fees and various other items. Subscription and usage revenues are recognised at the time services are provided to customers. Pre-invoiced revenues are deferred and allocated to the respective period they relate to. Any unearned revenue is recognised as deferred revenue within current liabilities. 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 an installation to establish the connection to its network and offers connection-related services. Revenue from installations is recognised immediately when the installation and services have been rendered for contracts with undefined contractual terms and is allocated to the concerning periods of a contract with a defined terms.

Cost of goods sold

Cost of goods sold includes the costs for purchases of materials and services directly related to revenue, such as copyright, 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 statement of income except to the extent that it relates to items recognised directly in equity. The current income tax is based on the best estimate of taxable income for the year, using tax rates that have been enacted or substantively enacted at the reporting date, and adjustments for current taxes payable (receivable) for prior years.

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

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

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

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

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

Statement of cash flows

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

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

Standards issued but not yet effective

The following new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2012 and have not been applied in preparing these consolidated financial statements:

Issued and effective as from the 2013 financial year:
- IAS 19 Revised Employee Benefits (issued in June 2011)
- IAS 1 Presentation of Items of Other Comprehensive Income (issued in June 2011)
- Annual Improvements to IFRSs 2009-2011 Cycle (issued in May 2012)

Issued in previous financial years and not yet effective as from 2013:
- IFRS 9 Financial Instruments (issued in November 2009) and subsequent amendments (amendments to IFRS 9 and IFRS 7 issued in December 2011)
- IFRS 10 Consolidated Financial Statements (issued in May 2011)
- IFRS 11 Joint Arrangements (issued in May 2011)
- IFRS 12 Disclosures of Interests in Other Entities (issued May 2011)
- IFRS 13 Fair Value Measurement (issued in May 2011)
- IAS 27 Separate Financial Statements (issued in May 2011)
- IAS 28 Investments in Associates and Joint Ventures (issued in May 2011)
- Disclosures–Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) (issued in December 2011)
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) (issued on December 16, 2011)

Issued by the IASB in this financial year but not yet effective as from 2013:
- Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12) (issued in June 2012)

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 to have an impact on the Consolidated statement of income, the Consolidated statement of comprehensive income and on the disclosure notes to the financial statements of the Company.

4 Business combinations

On October 13, 2011, the Company acquired 100% of the shares in Breezz Nederland B.V. ("Breezz"). Breezz is a provider of hosted VOIP telephony services for businesses which sells its solutions and services through a channel 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. The Company acquired Breezz for an amount of €9.6 million of which €7.9 million is paid in cash and €1.8 million is recognised as a contingent consideration. Payment of the contingent consideration is conditional upon realisation of certain criteria such as realisation of a minimum amount of revenue and gross margin. At the end of 2012 the fair value of the contingent consideration was €1.0 million (2011: €1.8 million). A payment of €0.3 million was made in 2012, representing the first term of the earn out, and a release of €0.5 million recorded as a result of the evaluation of the performance on the consideration criteria.

In 2012 Breezz contributed €6.1 million in consolidated revenues and €2.2 million in consolidated operating income (2011: from the date of acquisition, €1.5 million in consolidated revenues and €0.5 million in consolidated operating income).

5 Revenues

The Company's revenues comprise the following:

For the years ended

Amounts in thousands of €	December 31, 2012	December 31, 2011
Standard cable subscription	464,533	481,602
Digital pay television services	168,139	151,269
Total Video revenues	**632,672**	**632,871**
Broadband Internet subscription	442,419	415,878
Telephony subscription	129,048	113,485
Telephony usage	179,701	170,800
Total Telephony revenues	**308,749**	**284,285**
Revenues from other sources	47,461	57,436
Total Consumer Market	**1,431,301**	**1,390,470**
Business Services	105,564	87,699
Total revenues	**1,536,865**	**1,478,169**

Revenues generated from bundle subscriptions amounted to €672.0 million (2011: €587.0 million) and have been allocated to the individual products Video-, Broadband Internet- and Telephony subscriptions based on the individual product prices for each product as a percentage of the sum of the individual product price.

The Company's revenues are generated through a large customer base and no customer generates more than 10% of total revenues. Revenues from other sources primarily comprises revenue from the sale of goods. Revenues from the sale of goods as at December 31, 2012 amounted to €27.8 million (2011: €36.5 million).

6 Personnel expenses

The Company's personnel expenses comprise the following:

For the years ended

Amounts in thousands of €	December 31, 2012	December 31, 2011
Wages and salaries	174,893	127,996
Social security costs	19,135	14,183
Pensions and other long-term employee benefits	18,087	15,358
External personnel	53,093	52,692
Lease- & mileage costs	10,556	7,904
Other	7,090	8,380
Work Capitalized	(57,329)	(50,940)
Total personnel expenses	**225,525**	**175,574**

The number of employees of the Company in full time equivalents (FTEs) as at December 31, 2012 was 2,502 (2011: 2,376). The average number of employees in 2012 was 2,448 FTEs (2011: 2,286).

Employee bonuses

Employees of the Company received a bonus in relation to the IPO depending on the number of years of their employment for the Company. Employees of the Company were free to choose between receiving a bonus in cash or in shares. To encourage employees to choose a bonus in shares, the gross amount of an employee's bonus was multiplied by 1.2 if the employee had chosen to use the bonus to subscribe for shares. The total employee bonus amounted to €14.2 million.

7 Remuneration and share-based payment plans

Remuneration

The remuneration of the members of the Board of Management is determined by the Supervisory Board.

The total remuneration in 2012 consisted of basic salaries, short-term performance incentives (in cash), long-term performance incentives (in shares) and other benefits. As at December 31, 2012, the members of the Board of Management of the Company were:

- Bernard Dijkhuizen (Chief Executive Officer)
- Bert Groenewegen (Chief Financial Officer)
- Paul Hendriks (Chief Technology Officer)
- Marcel Nijhoff (Chief Commercial Officer)

Remuneration of the members of the Board of Management in 2012 and 2011 was as follows:

Amounts in thousands of €	Financial Year	Base salary	Short Term Incentive (Cash)	Share-based payment upon IPO	Long term Incentive (share awards)	Pension	Other benefits and expense reimbursement	Total Remuneration
Bernard Dijkhuizen	2012	561	371	3,756	72	88	6	4,854
	2011	509	336	-	-	82	6	933
Bert Groenewegen	2012	382	216	2,441	44	66	0	3,149
	2011	382	180	-	-	61	1	624
Paul Hendriks	2012	361	204	2,441	40	58	3	3,107
	2011	318	180	-	-	47	2	547
Marcel Nijhoff	2012	382	216	2,441	44	61	2	3,146
	2011	355	201	-	-	56	14	626
Total 2012		**1,686**	**1,007**	**11,079**	**200**	**273**	**11**	**14,256**
Total 2011		**1,564**	**897**	**-**	**-**	**246**	**23**	**2,730**

Remuneration of the members of the Supervisory Board is determined by the General Meeting of Shareholders. At December 31, 2012, the members of the Supervisory Board of the Company were:

- Andrew Sukawaty (Chairman)
- David Barker
- Joseph Schull
- Dirk-Jan van den Berg
- Anne-Willem Kist
- Rob Ruijter (appointed as from March 20, 2012)
- Caspar Berendsen (retired as from January 1, 2013)
- Paul Best (retired as from January 1, 2013)

The remuneration of the Supervisory Board was changed as from April 1, 2012 in connection with the IPO and the formal institution of an audit committee and a selection, appointment and remuneration committee. Supervisory Board members receive an annual fee of €50 and a fee of €7.5 for membership of a committee, with following exceptions: Mr. Rob Ruijter receives a fee of €25 for chairing the audit committee. Mr. Sukawaty has received a remuneration of €290 in 2012 as chairman of the Supervisory Board. He does not receive a separate remuneration for his membership and chairmanship of the selection, appointment and remuneration committee. The remuneration of the SB in 2012 was as follows:

Amounts in thousands of €	Financial Year	Base salary	Share-based payment upon IPO	Cash bonus	Other benefits and expense reimbursement	Total Remuneration
Andrew Sukawaty	2012	353	2,817	1,400	20	4,590
	2011	200	-	-	9	209

Amounts in thousands of €	2012	2011
Rob Ruijter	75	-
Dirk-Jan van den Berg	58	50
Anne-Willem Kist	58	50
David Barker	43	-
Joseph Schull	43	-
Caspar Berendsen	43	-
Paul Best	43	-
Total	**363**	**100**

Total remuneration of Supervisory Board members in 2012 amounted to €4,953 (2011: €309).

Mr. Sukawaty has agreed prior to the IPO in 2012 to waive his entitlement to part of his annual cash remuneration and to all of his annual equity remuneration. Mr. Sukawaty's remuneration in 2013 for his engagement as chairman of the Supervisory Board will be €190 and €90 in 2014.
As compensation for this waiver Mr. Sukawaty has received €300 form Ziggo prior to the closing of the IPO. As compensation for waiving his annual equity remuneration after the IPO Mr. Sukawaty has received €1,100 which he has invested on an after tax basis in shares for which a lock-up period of two years will apply and the aforementioned compensation amounts are subject to a pro rata claw back if Mr. Sukawaty would cease to be the chairman of the Supervisory Board before the end of his current term in 2016.

Short term incentive plan (STIP)

The members of the Board of Management of the Company are eligible to receive a short term incentive in cash based on financial and non-financial target ranges which are set at the beginning of each year by the Supervisory Board. Target ranges are set for Revenue, Customer Satisfaction, EBITDA and Cash flow. For "on target" achievement, the STI will be 70% of basic salary for the CEO and 60% for the other members of the Board of Management. Cost recognised related to the STI amounted to €1,007 million (realizing 94% of the targets) (2011: €897 realizing 94% of the target).

Long term incentive plan (LTIP)

The Supervisory Board of the Company introduced a Long Term Incentive Plan as part of the remuneration policy, under which the members of the Board of Management of the Company are eligible to receive conditional performance shares in the Company. Allocation of the conditional performance shares is based on the performance of the Company versus its three-year plan.

At the start of each calendar year shares will be granted to the CEO equal to 155% of base salary for the CEO, and, to the other members of the Board of Management equal to 140% of their base salaries. For 2012, the grant date was March 21, 2012 in relation to the IPO. The allocation of shares based on the actual performance versus the targets can vary between 0% and 150%. The maximum number of performance shares conditionally awarded lies between 210%-232.5% of base salary divided by the value of one performance share (i.e. reflecting maximum achievement). The Company defines stretching targets, whereas for "on target" achievement, the value of performance shares will be 100% of 155% of base salary for CEO and 100% of 140% of base salary for the other members of the Board of Management.

Performance will be measured on an annual basis based on the achievement of Revenues, Customer Satisfaction, EBITDA and Cash flow targets, as defined in the three year plan. At the end of each Performance Period, 50% of one-third of the Conditional Performance Shares granted will be determined on the performance on the above mentioned criteria for each year. At the end of each year of the performance period, the Total Shareholder Return (TSR) of the Company is compared with the Peer Group. For this purpose TSR is defined as the change in price of the shares of the Company plus the dividend paid in a year. The Peer Group consist of the following companies: Telenet Group Holding N.V., Kabel Deutschland Holding A.G., Liberty Global Inc., Virgin Media Inc., Zon Multimedia SGPS S.A., KPN N.V., Belgacom N.V., BT Group P.L.C., Deutsche Telekom A.G. and Ziggo N.V. If the TSR in a year is in the lowest quartile compared to the Peer Group, the number of shares determined on the basis of the criteria test for that year will not vest at the end of the performance period. The vesting of the other 50% of one-third of the Conditional Performance Shares granted at the end of each performance period is determined on the basis of a targeted cash flow per share. Scenario analyses are used to estimate the possible outcomes of the value of the shares vesting in the coming years.

The performance shares will vest and be delivered to a member of the Board of Management after the end of the performance period (three years), provided that the member of the Board of Management is still employed by the Company. After vesting the performance shares still need to be retained for another year as a result of a lock-up, except to the extent necessary to settle any tax obligation resulting from the LTIP. During the lock-up the shares may not be transferred, assigned to any third party, encumbered or otherwise disposed of.

Details of performance shares granted to the Board of Management are as follows:

Board of management	Grant date	Status	Full Control	Number of shares at grant date	Fair value at grant date	Vesting date	Number of shares vested
Bernard Dijkhuizen	March 21, 2012	Conditional	No	44,405	€11.37	January 1, 2015	-
Bert Groenewegen	March 21, 2012	Conditional	No	27,243	€11.37	January 1, 2015	-
Paul Hendriks	March 21, 2012	Conditional	No	24,216	€11.37	January 1, 2015	-
Marcel Nijhoff	March 21, 2012	Conditional	No	27,243	€11.37	January 1, 2015	-

The fair value per share of the 2012 grant was €11.37 (share price on the grant date €18.50). The fair value per share is based on the share price at the grant date adjusted for the effects of the right to receive dividend after vesting, the lock-up period after vesting and the chance Total Shareholder Return is not in the lowest quartile compared to the Peer Group. Under IFRS 2 the fair value of the LTIP is charged to the statement of income over the vesting period. In 2012, cost recognised for the LTIP amounted to €0.2 million.

Number of Shares held by management

The number of shares held by the members of the Board of Management and Supervisory Board are presented below:

Board of management	Number of shares
Bernard Dijkhuizen	593,167
Bert Groenewegen	376,546
Paul Hendriks	376,579
Marcel Nijhoff	487,186

Supervisory board	Number of shares
Andrew Sukawaty	713,208

8 Net financial income and expense

For the years ended

Amounts in thousands of €	December 31, 2012	December 31, 2011
Interest on loans from financial institutions	(119,834)	(167,651)
Interest on shareholder loans	(52,182)	(215,882)
Interest on 8.0% senior notes	(96,708)	(96,708)
Other interest expense	(1,672)	(1,599)
Capitalisation of borrowing cost	10,447	9,378
Interest expense	**(259,949)**	**(472,462)**
Interest income	**426**	**513**
Amortisation of financing fees, including write-offs of terminated facilities	(13,228)	(14,373)
Fair value gains (losses) on derivative financial instruments	(10,789)	26,176
Commitment fees	(1,047)	(2,363)
Foreign exchange results	(216)	(1,684)
Other net financial income and expense	**(25,280)**	**7,756**
Net financial income (expense)	**(284,803)**	**(464,193)**

The Company's financing changed in 2011 and in 2012, which is discussed in Notes 19 and 20. As a result of this change, the Company's financial expense decreased in 2012 compared to 2011 by €179.4 million, of which €163.7 million is related to interest on shareholder loans.

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.

9 Income taxes

The subsidiaries of the Company are incorporated into the fiscal unity of Ziggo N.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:

For the years ended

Amounts in thousands of €	December 31, 2012	December 31, 2011
Deferred tax assets	(68,271)	(33,414)
Deferred tax liabilities	(4,110)	25,630
Current tax liabilities	(2,296)	-
Income tax benefit (expense)	**(74,677)**	**(7,784)**

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

For the years ended

Amounts in thousands of €	Tax rate	2012	Tax rate	2011
Profit for the period		276,836		22,456
Notional tax income at statutory rates	25.00%	69,209	25.00%	(5,613)
Adjustments:				
Non deductable items	1.98%	5,468	1.26%	(282)
Prior year adjustment net operating losses	-	-	2.52%	(565)
Change in recovery of net operating losses	-	-	5.90%	(1,324)
Effective tax rate / Income tax benefit	**26.98%**	**74,677**	**34.67%**	**(7,784)**

The Company and the Dutch tax authorities have reached agreement on all income tax filings up to and until 2009. In 2011 this resulted in a reduction of the deferred tax asset recognised for net operating losses of €1.9 million. In 2012 no taxes were paid in cash (2011: nil). A current tax liability is included for corporate income tax due per December 31, 2012 of €2.3 million. This is the result of an intragroup transaction in which the company transferred part of its assets in order to renew part of the tax loss carry-forward position to avoid expiration of these losses. In one of the subsidiaries the company will report a profit for tax purposes based on a percentage of the value of the transferred assets, which cannot be offset against the remaining losses of the fiscal unity according to Dutch carry-over rules.

Income tax recognised under other comprehensive income comprises:

For the years ended

Amounts in thousands of €	December 31, 2012			December 31, 2011		
	Before tax	Tax benefit	Net of tax	Before tax	Tax benefit	Net of tax
Cash flow hedges	4,615	(1,154)	3,462	9,748	(2,437)	7,311
	4,615	**(1,154)**	**3,462**	**9,748**	**(2,437)**	**7,311**

The tax effects of temporary differences influencing significant portions of the deferred tax assets and deferred tax liabilities as of December 31, 2012 and 2011 are presented below:

Amounts in thousands of €	December 31, 2010	Recognised in profit or loss	Recognised in other comprehensive income	December 31, 2011	Recognised in profit or loss	Recognised in other comprehensive income	Reclassification overdraft	December 31, 2012
Tax loss carry forwards	284,831	(26,870)	-	257,961	(125,882)	-	-	132,079
Property and equipment	-	-	-	-	54,914	-	20,934	75,848
Derivative financial instruments	23,245	(6,544)	(2,437)	14,264	2,697	(1,155)	-	15,806
Deferred tax assets	**308,076**	**(33,414)**	**(2,437)**	**272,225**	**(67,271)**	**(1,155)**	**20,934**	**223,733**
Intangible assets	(390,902)	8,037	-	(382,865)	(2,493)	-	-	(385,358)
Property and equipment	(17,508)	17,593	-	85	(1,617)	-	(20,934)	(122,466)
Deferred tax liabilities	**(408,410)**	**25,630**	**-**	**(382,780)**	**(4,110)**	**-**	**(20,934)**	**(407,824)**
Deferred tax assets and liabilities	**(100,334)**	**(7,784)**	**(2,437)**	**(110,555)**	**(72,381)**	**(1,155)**	**-**	**(184,091)**

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

Recognised deferred tax assets relating to fiscal losses reflect management's estimate of realisable amounts based on historic growth numbers and expected future net results. The amounts of tax loss carry forwards are subject to assessment by local tax authorities.

The deferred tax asset furthermore relates to derivative financial instruments and a balance as a result of the loss renewal. The loss renewal transaction resulted in a temporary difference on the fiscal value of transferred assets and thus a higher fiscal depreciation base. This balance will decrease in time due to the higher fiscal depreciation.

The expiration of the available tax loss carry forwards and recognised tax assets is as follows:

For the years ended

Amounts in thousands of €	December 31, 2012		December 31, 2011	
	Net Operating loss	Deferred tax asset	Net Operating loss	Deferred tax asset
Tax losses for which no deferred tax asset is recognised	-	-	-	-
Tax losses for which a deferred tax asset is recognised	528,315	132,079	1,031,841	257,961
Total	**528,315**	**132,079**	**1,031,841**	**257,961**

Amounts in thousands of €	2012
December 31, 2016	13,062
December 31, 2017	172,585
December 31, 2018	199,343
December 31, 2019	143,325
Total net operating loss	**528,315**

10 Intangible assets

The Company's intangible assets comprise:

Amounts in thousands of €	Goodwill	Customer lists	Software	Total
Balance as of January 1, 2011	**1,773,068**	**1,582,879**	**50,958**	**3,406,905**
Additions	-	-	23,847	23,847
Acquired through business combinations	9,381	-	46	9,427
Disposals	-	-	(504)	(504)
Amortisation and impairment	-	(44,124)	(35,815)	(79,939)
Total changes in 2011	**9,381**	**(44,124)**	**(12,426)**	**(47,169)**
Cost	1,782,449	2,401,568	261,899	4,445,916
Accumulated amortisation	-	(862,813)	(223,367)	(1,086,180)
Balance as of December 31, 2011	**1,782,449**	**1,538,755**	**38,532**	**3,359,736**
Additions	-	-	27,058	27,058
Disposals – cost	-	-	(59)	(59)
Disposals – accumulated amortisation	-	-	59	59
Amortisation and impairment	-	-	(28,407)	(28,407)
Total changes in 2012	**-**	**-**	**(1,349)**	**(1,349)**
Cost	1,782,449	2,401,568	288,898	4,472,915
Accumulated amortisation	-	(862,813)	(251,715)	(1,114,528)
Balance as of December 31, 2012	**1,782,449**	**1,538,755**	**37,183**	**3,358,387**

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

The key assumptions used in the goodwill impairment test and the customer list impairment test are set out below.

The main parameters used for impairment testing are as follows:

Parameters	2012	2011
WACC	8,78%	8,31%
Growth rate (after 2017)	2,00%	n/a

Goodwill

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

- *Growth rate* – The growth rates in the four-year financial plan reflect historic growth numbers and current market developments. The years beyond the four-year financial plan 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.

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

- *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 2012 goodwill impairment test is 8.78% (2011: 8.31%).

Customer lists

Customer lists acquired upon the merger of Multikabel, Casema and @Home into Ziggo in 2008 were initially 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 its underlying customer relationships connected to the Company's network is indefinite (See Note 2). Consequently the asset is subject to impairment testing for assets with indefinite lives as discussed in Note 3. The impairment test for the customer lists is based on the historic number of active connections at the time the customer list was acquired.

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

- *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.

- *Growth rate* – The growth rates in the four-year financial plan reflect historic growth numbers and current market developments. The years beyond the four-year financial plan 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.

- *Cash flow* – Free cash flow consists of operating cash flow before changes in working capital, changes in net working capital and capital expenditures. Revenues comprise all revenues related to existing customer relationships at the time of the merger and exclude revenues resulting from new customer relationships. Revenues are estimated based on historic growth numbers and expected future market penetration levels, resulting in related costs and capital expenditures. Cash flow projections beyond the five-year period are captured in a terminal value and are extrapolated from the final year cash flows, discounted by the appropriate discount rate.

- *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 2012 customer lists impairment test is 8.78% (2011: 8.31%).

Sensitivity to changes in assumptions

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

Software

During 2012 the Company did not impair capitalised development of software (2011: €1.8 million).

11 Property and equipment

The Company's property and equipment comprises:

Amounts in thousands of €	Network	Land	Other	Assets under construction	Total
Balance as of January 1, 2011	**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 December 31, 2011	**1,212,575**	**3,023**	**68,502**	**137,286**	**1,421,386**
Additions	241,164	465	19,483	2,289	263,401
Reclassification - cost	(253)	-	253	-	-
Reclassification - accumulated depreciation	21	-	(21)	-	-
Disposals - cost	-	-	(38)	-	(38)
Disposals - accumulated depreciation	-	-	38	-	38
Depreciation and impairment	(227,118)	-	(23,589)	-	(250,707)
Total changes in 2012	**13,814**	**465**	**(3,874)**	**2,289**	**12,694**
Cost	4,788,111	3,488	215,793	139,575	5,146,967
Accumulated depreciation	(3,561,722)	-	(151,165)	-	(3,712,887)
Balance as of December 31, 2012	**1,226,389**	**3,488**	**64,628**	**139,575**	**1,434,080**

Network

The additions to the network include capitalised borrowing costs of €10.4 million (2011: €9.4 million). Generally, the capitalisation rate used to determine the amount of capitalised borrowing costs is a weighted average of the interest rate applicable. For 2012, an average interest rate of 6.76% (2011: 7.00%) was applied.

During 2012 the Company did not recognise any impairments for property and equipment (2011: nil).

Mortgages on all registered properties, related movable assets and network-related elements established under the Senior Credit Facilities as explained in Note 19.

Assets under construction

Assets under construction relates to projects for the expansion and improvement of the Company's network and IT infrastructure. Included in assets under construction is software, which is recognised as an intangible asset once in use.

12 Other non-current financial assets

Financial assets consist of long-term prepaid expenses (related to information technology contracts) of €578 (2011: €372), participation in the association COIN €99, and other financial assets €42 (2011: €30).

13 Investments in joint ventures

Amounts in thousands of €	Total 2012	ZUM BV	ZUM B BV	HBO Nederland Cooperatief U.A.	Total 2011	ZUM BV	HBO Nederland Cooperatief U.A.
Balance as of January 1	**(214)**	**(104)**	**-**	**(110)**	**(61)**	**(61)**	**-**
Adjustment starting balance	(42)	-	-	(42)			
Profit/loss for the year	(9,346)	(86)	(23)	(9,237)	(168)	(43)	(125)
Funding	12,954	-	9	12,945	15	-	15
Other non-current liabilities	204	190	14	-	214	104	110
Balance as of December 31	**3,556**	**-**	**-**	**3,556**	**-**	**-**	**-**

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

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

14 Inventories

Amounts in thousands of €	December 31, 2012	December 31, 2011
Equipment and cables	12,951	8,487
Set-top boxes	11,416	18,465
Customer premises equipment	4,386	6,946
Allowance for obsolete stock	(864)	(1,718)
Total Inventories	**27,889**	**32,180**

Movements in the provision for obsolete stock were as follows:

Amounts in thousands of €	2012	2011
Balance as of January 1	**1,718**	**457**
Additions	-	1,926
Used	(854)	(665)
Balance as of December 31	**864**	**1,718**

15 Trade accounts receivable

Trade accounts receivable as at December 31, 2012 amounted to €18.2 million (2011: €25.8 million). The provision for doubtful debts is calculated on an individual basis and on a portfolio basis for groups of receivables that are not individually identified. The doubtful debts provision reflects probable losses in the account receivable balance based on historical experience by type of trade debtor and other currently available evidence.

Movements in the provision for doubtful debts were as follows:

Amounts in thousands of €	2012	2011
Balance as at January 1	**5,103**	**8,706**
Additions	2,080	1,315
Used	(1,836)	(2,182)
Released	(1,565)	(2,736)
Balance as of December 31	**3,782**	**5,103**

A pledge has been given on all receivables as mentioned in Note 19.

Trade accounts receivable are non-interest-bearing and are generally due on 30 days' terms. Note 26 discloses the Company's credit risk related to the trade accounts receivable.

16 Other current assets

Amounts in thousands of €	December 31, 2012	December 31, 2011
Prepaid expenses	11,820	11,190
Revenues to be invoiced	10,649	14,965
Related parties	688	617
Other current assets	1,757	41
Total current assets	**24,914**	**26,813**

Revenues for December, to be invoiced with the bill run of January 2013, comprise Telephony usage revenues and Video on Demand revenues.

17 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 19.

18 Equity attributable to equity holders

The Company is incorporated as a public limited liability company under Dutch law. Its registered capital consists entirely of ordinary shares. The authorised capital is divided into 200 million shares of €1 nominal value each. With the contribution of Zesko B.V. at fair value a share premium resulted of €3,500 million (see Note 2 Accounting principles for more details on the IPO).

With the application of the pooling of interest method for the contribution of Zesko B.V. an adjustment in retained earnings is recognised for the difference between the fair value and the net asset value of Zesko B.V. at contribution.

Share-based payments recognised in equity amount to €20.2 million and relate to the IPO of the Company and the long term incentive plan for members of the Board of Management. Reference is made to Note 7 Remunerations and share-based payment plans.

Treasury stock recognised in equity amounts to €36 (1,963 shares at €18.50 per share).

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

19 Interest-bearing loans

Amounts in thousands of €	December 31, 2012	December 31, 2011
Financial institutions	1,813,337	2,133,337
Financing fees	(52,898)	(55,804)
Loans from financial institutions	1,760,439	2,077,533
8.0 % Unsecured Notes, due 2018	1,183,377	1,179,710
Interest bearing loans	**2,943,816**	**3,257,243**

Movements in total interest-bearing loans were as follows:

Amounts in thousands of €	2012	2011
Balance as at January 1	**3,257,243**	**3,497,261**
Repayments on loans including refinancing	(320,000)	(708,858)
Issuance of Facility F	-	460,431
Financing fees	(7,587)	(6,631)
Amortisation of financing fees	14,160	15,040
Balance as at December 31	**2,943,816**	**3,257,243**

Capitalized financing fees in 2012 relate to the IPO consent fee of €7.6 million due to the lenders of the senior credit facilities upon completion of the IPO.

Loans from financial institutions

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

Amounts in thousands of €	Interest rate	Maturity	December 31, 2012	December 31, 2011
Senior Credit Facilities				
Facility B	EURIBOR +3.00%	2017	922,906	922,906
Facility E loan (Sr. Secured Notes)	6.125%	2017	750,000	750,000
Facility F loan	EURIBOR +3.25%	2017	140,431	460,431
Total			**1,813,337**	**2,133,337**
Financing fees			**(52,898)**	**(55,804)**
Total			**1,760,439**	**2,077,533**

Senior Credit Facilities

Facility B loan

In 2012 no repayments were made on the Facility B loan (in 2011: €169.0 million).

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 May 15, and November 15, of each year. Ziggo Finance B.V. granted the proceeds of the Senior Secured Notes to 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. 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. During 2012 the Company made repayments on the Facility F loan for an amount of €320.0 million.

IPO Consent Fee

As a result of the IPO in March 2012, a consent fee is charged of €7.6 million by the consenting lenders within the senior credit facilities. The consent fee is presented as a deduction from the loan, and amortised over the period of the related 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, of which €50.0 million is covered by a committed bilateral ancillary facility with one of our lenders, and an uncommitted capital expenditure restructuring facility of €300.0 million. During the year 2012 there were no drawings under these facilities (2011: 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 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 2012 and 2011.

Financing fees

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

8.0% Senior Notes

On April 27, 2010, Ziggo Bond Company B.V., an indirect, wholly-owned subsidiary of the Company, issued unsecured Senior Notes for an amount of €1,208.9 million at a price of 99.271% with a nominal interest rate of 8.0% due in 2018. Interest on the notes is payable semi-annually on May 15, and November 15.

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 8.36%, which is recognised as financial expense.

20 Interest-bearing loans from shareholders

Interest-bearing loans from shareholders consisted of three interest bearing loans from Even Investments 2 S.à.r.l. All loans were subordinated and repayable in full at the end of 2015. Any unpaid interest was added to the loan and also repayable at the end of 2015.

At March 20, 2012, preceding the IPO, Even Investments 2 S.à.r.l. contributed the loans to Zesko Holding B.V. Zesko B.V. subsequently issued shares up to an amount equal to the accrued interest on the loans, after which Zesko Holding B.V. contributed the nominal value of the loans as share premium to Zesko B.V.

During 2012 interest expense on these loans amounted to €52.2 million (2011: €215.9 million).

21 Provisions

Amounts in thousands of €	Other long term employee benefits	Restructuring	Legal claims	Other	Total
Current	1,552	1,400	-	3,940	6,892
Non-current	11,592	625	4,791	7,878	24,886
Balance as of December 31, 2011	**13,144**	**2,025**	**4,791**	**11,818**	**31,778**
Additions (including interest cost)	1,051	1,025	-	4,662	6,738
Usage	(1,665)	(1,216)	-	(2,446)	(5,327)
Released	(276)	(262)	(1,599)	(513)	(2,650)
Balance as of December 31, 2012	**12,254**	**1,572**	**3,192**	**13,521**	**30,540**
Current	1,719	1,095	-	4,666	7,480
Non-current	10,535	477	3,192	8,855	23,059
Balance as of December 31, 2012	**12,254**	**1,572**	**3,192**	**13,521**	**30,539**

Defined benefit plans

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

At December 31, 2012 the main administered pension insurance organisation had a coverage ratio of 96% (2011: 94%).

Other long-term employee benefits provision

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

For the years ended

Amounts in thousands of €	December 31, 2012	December 31, 2011
Service cost	691	772
Interest cost	360	406
Actuarial (gains) / losses	(276)	(372)
Net periodic benefit cost	**775**	**806**

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

Amounts in thousands of €	2012	2011
Defined benefit obligation at January 1	13,144	13,758
Service cost	691	772
Interest cost	360	406
Actuarial (gains) / losses	(276)	(372)
Benefits paid	(1,665)	(1,420)
Defined benefit obligation at December 31	**12,254**	**13,144**

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:

Amounts in thousands of €	2012	2011
Discount rate	2.60%	2.60%
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 Table 2012 - 2062	AG Table 2010 - 2060

The Company has applied defined benefit accounting for the other long-term employee benefit plan since January 1, 2009. As a consequence the Company is only able to provide an experience table of four years with the defined benefit obligation:

Amounts in thousands of €	2012	2011	2010	2009
Effect of change(s) in assumptions	(7)	159	244	549
Experience adjustments	(269)	(531)	(1,285)	(294)
Actuarial (gains) losses	**(276)**	**(372)**	**(1,041)**	**255**

Restructuring provision

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

Legal claims provision

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

Other provisions

Other provisions include asset retirement obligations, the guarantee provision and onerous contracts.

22 Other non-current liabilities

Other non-current liabilities in 2012 consisted of the negative investments in ZUM B.V. and ZUMB B.V. Reference is made to note 13 Investments in joint ventures.

23 Other current liabilities

The Company's other current liabilities comprise the following:

Amounts in thousands of €	December 31, 2012	December 31, 2011
Accrued interest	17,976	18,601
Accrued expenses	73,555	57,772
Taxes and social securities	52,819	19,927
Accrued employee benefits	17,495	15,186
Related parties	-	730
Other	-	8
Total other current liabilities	**161,845**	**112,224**

24 Commitments and contingencies

Lease commitments

The Company leases buildings, certain office equipment and vehicles and has entered into various maintenance and support contracts for the support for network equipment.

Lease terms generally range from three to five years with the option of renewal for varying terms. Lease commitments for the coming periods are shown in the following schedule:

Amounts in thousands of €	December 31, 2012			December 31, 2011
	Buildings	Other contracts	Total	Total
Within 1 year	10,031	6,248	16,279	12,490
Between 1 and 5 years	30,822	7,553	38,375	37,184
After 5 years	15,738	16	15,754	15,088
Total Lease commitments	**56,591**	**13,817**	**70,408**	**64,762**

Purchase commitments

The Company enters into purchase commitments in the ordinary course of business. As at December 31, 2012 it had purchase commitments for an amount of €62 million (2011: €56 million).

Legal proceedings

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

Guarantees

The company has provided guarantees to unrelated parties for an amount of €3.9 million (2011: €4.2 million).

25 Related party disclosures

Identification of related parties

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

Transactions and positions

The following significant related party transactions occurred during the year ended December 31, 2012.

The interest-bearing loan from shareholders was converted into a share issue and share premium preceding the IPO, for which reference is made to Note 20 Interest-bearing loans from shareholders.

Management fees were charged to the Company resulting in a charge of €0.4 million in 2012 (2011: €0.5 million).

As at year-end 2012 the Company had a current account receivable with ZUM B.V. of €688 and a trade account payable with HBO Nederland Coöperatief U.A. of €818 for premium content.

In the normal course of business, the Company and its subsidiaries conduct 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.

26 Financial risks

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

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

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

Credit risk

The credit risk on consumer trade accounts receivable is considered to be low as a result of the large consumer customer base, the relatively small amount of receivables per customer and the high percentage of customers who pay by direct debit. The risk on trade accounts receivable from the Company's business customers is also considered low, but this concerns a smaller customer base with on average larger receivable per customer than for the Company's consumer 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
2012	18,240	10,368	2,001	1,216	2,326	2,329	-
2011	25,753	18,493	2,002	1,249	1,806	2,203	-

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

Liquidity risk

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

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

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

December 31, 2012 Amounts in thousands of €	Carrying amount	Contractual cash flows	January - March 2013	April - December 2013	2014	2015 - 2017	After 2017
Non - derivative financial liabilities							
Loans from financial institutions	(1,760,439)	(432,401)	(22,216)	(67,881)	(90,097)	(252,207)	-
8.0 % Unsecured Notes	(1,183,377)	(519,044)	(23,846)	(72,862)	(96,708)	(290,124)	(35,504)
Trade accounts payable	(85,563)	(85,563)	(85,563)	-	-	-	-
Derivative financial liabilities							
Interest rate swaps used for hedging	(63,236)	(69,119)	(8,475)	(25,425)	(15,161)	(20,058)	-
Total	**(3,092,615)**	**(1,106,127)**	**(140,100)**	**(166,168)**	**(201,966)**	**(562,389)**	**(35,504)**

December 31, 2011 Amounts in thousands of €	Carrying amount	Contractual cash flows	January - March 2012	April - December 2012	2013	2014 - 2016	After 2016
Non - derivative financial liabilities							
Loans from financial institutions	(2,077,533)	(2,725,706)	(25,272)	(77,219)	(102,491)	(307,474)	(2,213,250)
Loans from shareholders	(2,281,218)	(3,399,080)	-	-	-	(3,399,080)	-
8.0 % Unsecured Notes	(1,179,710)	(1,824,602)	(23,846)	(72,862)	(96,708)	(290,124)	(1,341,062)
Trade accounts payable	(74,417)	(74,417)	(74,417)	-	-	-	-
Derivative financial liabilities							
Interest rate swaps used for hedging	(57,063)	(50,614)	(5,669)	(17,007)	(22,350)	(5,588)	-
Total	**(5,669,941)**	**(8,074,419)**	**(129,204)**	**(167,088)**	**(221,549)**	**(4,002,266)**	**(3,554,312)**

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 70% of its borrowings at fixed rates of interest. The net interest rate risk can be analysed as follows:

Amounts in thousands of €	December 31, 2012	December 31, 2011
Notional amount borrowing (floating)	(1,063,337)	(1,383,337)
Cash (floating) & deposits (floating and/or fixed)	92,428	112,679
Notional amount IRS (fixed)	1,000,000	1,000,000
Net interest rate risk - including offset IRS	**29,091**	**(270,658)**

At December 31, 2012, after taking into account the effect of interest rate swaps, approximately 101% of the Company's borrowings were at a fixed interest rate (2011: 95%).

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 €	December 31, 2011	December 31, 2010
Increase / decrease in basis points		
+ 20bp	58	(541)
+ 10bp	29	(271)
- 10bp	(29)	271
- 20bp	(58)	541

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 December 31, 2012 the net foreign currency exposure of the USD amounted to USD 0.6 million (2011: USD 12.7 million), relating to the net amount of cash and cash equivalents and trade accounts payable. At year-end the Company did not hedge this position.

27 Financial instruments

Fair values

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

Amounts in thousands of €	December 31, 2012		December 31, 2011	
	Carrying amount	Fair value	Carrying amount	Fair value
Financial assets				
Loans	141	141	30	30
Trade accounts receivable	18,240	18,240	25,753	25,753
Cash and cash equivalents	92,428	92,428	112,679	112,679
Total financial assets	**110,809**	**110,809**	**138,462**	**138,462**
Financial liabilities				
Loans from financial institutions	(1,760,439)	(1,867,029)	(2,077,533)	(2,139,735)
8% Unsecured Notes	(1,183,377)	(1,334,570)	(1,179,710)	(1,220,939)
Interest bearing loans from shareholders	-	-	(2,281,218)	(2,281,218)
Trade accounts payable	(85,563)	(85,563)	(74,417)	(74,417)
Total financial liabilities at amortised cost	**(3,029,379)**	**(3,287,162)**	**(5,612,878)**	**(5,716,309)**
Derivative financial instruments	(63,236)	(63,236)	(57,063)	(57,063)
Total financial liabilities	**(3,092,615)**	**(3,350,398)**	**(5,669,941)**	**(5,773,372)**

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 December 31, 2012, the Company had concluded interest rate swap (IRS) agreements with a total notional amount of €1,000.0 million (2011: €1,000.0 million) under which it pays a fixed rate of interest (between 3.55% 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 €1,063.3 million (2011: €1,383.3 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 €500.0 million (2011: €700.0 million) in order to match the EURIBOR in the Senior Credit Facility.

As at December 31, 2012 the Company did not have any swap agreements to reduce its exposure to fluctuations in its purchase obligations denominated in US dollars (2011: nil).

Hedge accounting

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

Fair value hierarchy

Of the Company's financial instruments, only derivatives are measured at fair value using the Level 2 inputs as defined in IFRS 7 "Financial Instruments: Disclosures". These 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 2012 and 2011.

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 €	December 31, 2012		December 31, 2011	
	Number of contracts	Fair value	Number of contracts	Fair value
Interest rate swaps				
within one year	0	-	3	(10,267)
within two - five years	6	(63,236)	3	(46,796)
Total derivative financial instruments	**6**	**(63,236)**	**6**	**(57,063)**

28 Subsidiaries

The following companies were Ziggo N.V.'s significant subsidiaries as at December 31, 2012. Unless otherwise indicated, these are wholly owned subsidiaries. Subsidiaries that are not material to providing an insight into the group as required under Dutch law are omitted from this list.

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

Zesko B.V., Amsterdam, the Netherlands
Ziggo Bond Company Holding B.V., Amsterdam, the Netherlands
Ziggo Bond Company B.V., Amsterdam, the Netherlands
Amsterdamse Beheer- en Consultingmaatschappij B.V., Amsterdam, the Netherlands
Torenspits II B.V., Amsterdam, 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%)
ZUMB B.V., Amsterdam, the Netherlands (50.0%)
HBO Nederland Coöperatief U.A, Amsterdam, the Netherlands (50.0%)

29 Subsequent events

In January, an agreement has been reached with a small number of banks on a committed PIK term facility of €150 million with a two year maturity at the level of Ziggo N.V. Costs related to this facility include an upfront fee of 0.5% and a commitment fee of 1% per annum. As collateral for this facility, Ziggo N.V. has provided a pledge on 7.5% of the outstanding share capital of its wholly owned subsidiary Zesko B.V. The purpose of this facility is to provide for a capital distribution policy in line with what has been outlined as a dividend policy post 2014 at the time of the IPO.

On February 5, 2013, Ziggo communicated the intended decision to its employees to outsource most of the activities of its contact centre in The Hague to Teleperformance. The works council has been informed about the intended decision and has been requested to give its advice. It is Ziggo's intention to outsource the activities of its contact centre involving around 80 employees to Teleperformance.

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

Supervisory Board

Andy Sukawaty
David Barker
Caspar Berendsen
Paul Best
Joseph Schull
Dirk Jan van den Berg
Anne Willem Kist
Rob Ruijter

Board of Management

Bernard Dijkhuizen
Bert Groenewegen
Marcel Nijhoff
Paul Hendriks

Utrecht, The Netherlands
March 1, 2013

Statement of income/Statement of comprehensive income

For the years ended December 31

Amounts in thousands of € (except per share data)	Note	2012	2011
Other income	4	**2,042**	
Personnel expenses	5	38,091	-
Contracted work		650	-
Marketing & sales		976	-
Office expenses		1,455	-
Other operating expenses		985	-
Total operating expenses	6	**42,157**	-
Operating income (expense)		**(40,115)**	**-**
Net financial income (expense)		3	-
Dividend income	7	110,000	-
Result before income taxes		**69,888**	**-**
Income tax benefit (expense)	8	4,584	-
Net result for the year/Total comprehensive income		**74,472**	**-**
Net result attributable to equity holders		**74,472**	**-**
Number of shares outstanding (in thousands)*		200,000	200,000
Earnings per share - basic (in €)		0.37	-
Earnings per share - dilutive (in €)		0.37	-

* For comparison purposes the number of shares outstanding in 2011 is adjusted.

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

Statement of financial position

Amounts in thousands of €	Note	December 31, 2012	December 31, 2011
ASSETS			
Investments in subsidiaries	9	3,700,000	43
Deferred tax asset	8	4,584	-
Total non-current assets		**3,704,584**	**43**
Cash and cash equivalents		5	2
Total current assets		**5**	**2**
Total assets		**3,704,589**	**45**
EQUITY AND LIABILITIES			
Issued share capital		200,000	45
Share premium		3,500,000	-
Treasury stock		(36)	-
Retained earnings		(15,328)	-
Equity attributable to equity holders	10	**3,684,636**	**45**
Deferred income tax liability		1	-
Total non-current liabilities		**1**	**-**
Current tax liability	8	-	-
Other current liabilities	11	19,952	-
Total current liabilities		**19,952**	**-**
Total equity and liabilities		**3,704,589**	**45**

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

Statement of changes in equity

Amounts in thousands of €	Issued capital	Share premium	Treasury shares	Retained earnings	Total equity
Balance at April 1, 2011	45	-	-	-	45
Comprehensive income					
Net profit for the year 2011	-	-	-	-	-
Balance at December 31, 2011	**45**	**-**	**-**	**-**	**45**
Comprehensive income					
Net profit for the year 2012	-	-	-	74,472	74,472
Transactions with shareholders					
Share issuance	199,955	3,500,000	-	-	3,699,955
Dividend payment	-	-	-	(110,000)	(110,000)
Purchase of Treasury stock	-	-	(36)	-	(36)
Share-based payment	-	-	-	20,200	20,200
Total transaction with shareholders	**199,955**	**3,500,000**	**(36)**	**(89,800)**	**3,610,119**
Balance at December 31, 2012	**200,000**	**3,500,000**	**(36)**	**(15,328)**	**3,684,636**

Statement of cash flows

For the years ended December 31

Amounts in thousands of €	Note	2012	2011
Operating activities			
Income (loss) before income taxes		69,888	-
Adjustments for:			
Share based payment	5	20,200	-
Net financial income and expense		(3)	-
Operating cash flow before changes in working capital		**90,085**	**-**
Changes in working capital relating to:			
Other current liabilities	11	19,952	-
Change in working capital		**19,952**	**-**
Net cash flow from operating activities		**110,037**	**-**
Investing activities			
Establishment new investment	9	-	(43)
Purchase of Treasury stock	10	(36)	-
Interest received		2	-
Net cash flow used in investing activities		**(34)**	**(43)**
Financing activities			
Establishment of Ziggo N.V.		-	45
Dividend payment		(110,000)	-
Net cash flow from financing activities		**(110,000)**	**45**
Net (decrease) / increase in cash and cash equivalents		**3**	**2**
Net cash and cash equivalents at January 1		2	-
Net cash flow from operating, investing and financing activities		3	2
Net cash and cash equivalents at December 31		**5**	**2**

Notes to the corporate financial statements

1 Corporate information

Ziggo N.V. is a public limited company having its corporate seat in Utrecht (registered office: Atoomweg 100, 3542 AB Utrecht) the Netherlands.

Ziggo N.V.'s principal activities are to act as a holding company for the group companies of the Ziggo group, the owner and operator of a broadband cable network in the Netherlands, and providing analogue and digital radio and television, broadband internet and telephony services in the Netherlands to 2.9 million households and businesses under the brand name Ziggo.

2 Change in accounting framework and contribution of Zesko B.V.

Change in accounting framework

In 2012, Ziggo N.V. changed the accounting framework applicable to its corporate financial statements from Dutch General Accepted Accounting Principles (Dutch GAAP) to International Financial Reporting Standards (IFRS) as adopted by the European Union. Management considered that the corporate financial statements' primary focus is the legal entity perspective and its relation with its shareholders and that these corporate financial statements should properly reflect the cost of the subsidiaries acquired through their contribution and the amounts that can be distributed to its shareholders. Management believes that the measurement at cost of its subsidiaries, as allowed under IFRS, provides the best insight into its financial position additional to the information already provided in the consolidated financial statements.

Ziggo N.V. applied the principles of IFRS 1 First-time Adoption of International Financial Reporting Standards (IFRS 1). No adjustments were necessary in the comparative figures as there were no difference between IFRS and Dutch GAAP in respect of the transactions that occurred in 2011. As part of the adoption of IFRS Ziggo N.V. assessed the available options of measuring its investments in subsidiaries in relation to IAS 27.38 and choose to measure its subsidiaries at cost.

Contribution of Zesko B.V.

On March 20, 2012 Ziggo N.V. acquired Zesko B.V. from Zesko Holding B.V. as part of the corporate restructuring prior to the issuance of 200 million shares with a nominal value of €1 to its existing shareholders, which subsequently offered 25% of the total share capital to the public on March 21, 2012. Shares offered were priced at €18.50 per ordinary share, representing a market capitalisation of Ziggo N.V. of €3.7 billion.

Since the corporate restructuring was conditional upon a successful IPO Ziggo N.V. considers the corporate restructuring to be an integral part of the IPO. As a consequence of the conversion of the shareholder loans into equity and the change in absolute and relative ownership of the Ziggo group, the exception of IAS 27.38B does not apply. The initial investment in Zesko B.V is therefore measured at cost considered to be the fair value of the consideration given, representing a value of €3.7 billion. The difference between this fair value (€3.7 billion) and the nominal value of the shares issued (€0.2 billion) is recorded as share premium.

The change in the accounting framework applicable to the corporate financial statements resulted in a difference in the result and equity position with the consolidated financial statements. The result and equity position in the consolidated financial statements are measured following a group perspective, whereas the result and equity position in the corporate financial statement are measured following a legal perspective in which Ziggo N.V. is presented from an investors' point of view (see also note 10 for a reconciliation of these differences).

3 Basis of preparation

Date of authorisation of issue

The corporate financial statements of Ziggo N.V. for the year ended December 31, 2012 were prepared by the Board of Management and adopted on March 1, 2013.

Statement of compliance

The corporate financial statements of Ziggo N.V. have been prepared in accordance with International Financial Reporting Standards (IFRS) as adopted by the European Union.

Measurement basis

In the corporate financial statements of Ziggo N.V., the same accounting principles were applied as set out in the notes to the consolidated financial statements, except for the valuation of the investments as presented under financial fixed assets in the corporate financial statements. These policies were consistently applied to all years presented. The amounts in the corporate financial statements are presented in thousands of euros (€) except when otherwise indicated.

Foreign currency translation

The corporate financial statements have been drawn up in euros (€), which is Ziggo N.V'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 Ziggo N.V.'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.

Use of estimates and assumptions

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

- Investments in associates (Note 3 and Note 9)
- Deferred tax assets (Note 3 and Note 8)

Investments in subsidiaries

Investments in subsidiaries and associated companies are stated at cost, less impairment. Dividend income from Ziggo N.V.'s subsidiaries and associated companies is recognised in the statement of income when the right to receive payment is established.

Impairment of investments in subsidiaries and associated companies.

Ziggo N.V. assesses at each reporting date whether there is an indication that the investment in subsidiaries and associated companies may be impaired. An indicator for impairment may be a drop in the share price of Ziggo N.V. below the issue price of €18.50. If any such indication exists, Ziggo N.V. makes an estimate of the asset's recoverable amount. The recoverable amount is defined as the higher of an investments fair value less costs to sell and its value in use. Where the carrying amount of an asset exceeds its recoverable amount, the asset is considered impaired and is written down to its recoverable amount. Impairment losses of continuing operations are recognised in the statement of income.

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, Ziggo N.V. 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 statement of income.

Income tax

Current income tax is recognised in the statement of income 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 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 Ziggo N.V. cannot make the determination that it is more likely than not that some portion or all of the related tax assets will be realised. 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. Deferred income tax liabilities are generally recognised for all temporary differences.

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

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

Statement of cash flows

The statement of cash flows is prepared using the indirect method with a breakdown into cash flows from operating, investing and financing activities.

Bank overdrafts that are repayable on demand and form an integral part of Ziggo N.V.'s cash management are included as a component of cash and cash equivalents for the purpose of the statement of cash flows. The acquisition of Zesko B.V. and the share issuance are significant non-cash transactions (for which reference is made to Note 2).

Standards issued but not yet effective

The following new standards, amendments to standards and interpretations are not yet effective for the year ended December 31, 2012 and have not been applied in preparing these corporate financial statements:

Issued and effective as from the 2013 financial year:

- IAS 19 Revised Employee Benefits (issued in June 2011)
- IAS 1 Presentation of Items of Other Comprehensive Income (issued in June 2011)
- Annual Improvements to IFRSs 2009-2011 Cycle (issued in May 2012)

Issued in previous fiscals and not yet effective as from 2013:

- IFRS 9 Financial Instruments (issued in November 2009) and subsequent amendments (amendments to IFRS 9 and IFRS 7 issued in December 2011)
- IFRS 10 Consolidated Financial Statements (issued in May 2011)
- IFRS 11 Joint Arrangements (issued in May 2011)
- IFRS 12 Disclosures of Interests in Other Entities (issued in May 2011)
- IFRS 13 Fair Value Measurement (issued in May 2011)
- IAS 27 Separate Financial Statements (issued in May 2011)
- IAS 28 Investments in Associates and Joint Ventures (issued in May 2011)
- Disclosures–Offsetting Financial Assets and Financial Liabilities (Amendments to IFRS 7) (issued in December 2011)
- Offsetting Financial Assets and Financial Liabilities (Amendments to IAS 32) (issued on December 16, 2011)

Issued by the IASB in this financial year but not yet effective as from 2013:

- Transition Guidance (Amendments to IFRS 10, IFRS 11 and IFRS 12) (issued in June 2012)

Ziggo N.V. will introduce the new standards, amendments to standards and interpretations as of their effective dates unless otherwise indicated. Adoption of these standards and interpretations is expected to have an impact only on the disclosure notes to the corporate financial statements.

4 Other income

Other income recognised in 2012 comprises a management fee charged to the Ziggo N.V.'s subsidiary Zesko B.V. for services provided by the Board of Management for an amount of €2.0 million.

5 Personnel expenses

Ziggo N.V.'s personnel expenses comprise the following:

For the years ended

Amounts in thousands of €	December 31, 2012	December 31, 2011
Wages and salaries	37,784	-
Social security costs	34	-
Pensions and other long-term employee benefits	273	-
Total personnel expenses	**38,091**	**-**

The number of employees of Ziggo N.V. in full time equivalents (FTE's) as at December 31, 2012 was 4 (2011: 4).

Wages and salaries comprise the remuneration of the members of the Board of Management (including Short Term Incentive plan, Long term incentive plan and Share based payments related to the IPO), the Supervisory Board, the bonus to the chairman of the Supervisory Board related to the IPO and the Employee bonus related to the IPO (Reference is made to Note 6 and Note 7 of the Consolidated Financial Statements).

6 Costs related to the IPO

The costs presented under the categories Contracted work, Marketing & Sales, Office expenses and Other operating expenses relate to costs incurred for the IPO in March 2012.

7 Dividend income

Dividend income from Ziggo N.V.'s subsidiaries is recognised when the right to receive payment is established. Dividend income recognised for 2012 amounted to €110 million (2011: nil).

8 Income taxes

The Company's Dutch subsidiaries are part of a Dutch fiscal unit headed by Ziggo N.V. The standard conditions for a Dutch fiscal unit stipulate that all companies included in the fiscal unity are jointly and severally liable for all tax liabilities borne by the parent company until the tax unit ceases to exist. The Company's corporate income tax is calculated as if separately liable for tax, however, taking into account benefits from the Dutch fiscal unit Ziggo N.V. The Company's income tax comprises:

For the years ended

Amounts in thousands of €	December 31, 2012	December 31, 2011
Deferred tax assets	(4,584)	-
Income tax benefit (expense)	**(4,584)**	**-**

A reconciliation between the statutory tax rates of 25.0% and Ziggo N.V.'s effective tax rate is as follows:

For the years ended

Amounts in thousands of €	Tax rate	2012	Tax rate	2011
Profit (Loss) for the period		69,888		-
Notional tax income at statutory rates	25.00%	17,472	25.00%	-
Adjustments:				
Non-deductable items	7.79%	5,444	0.00%	-
Dividend income	-39.35%	(27,500)	0.00%	-
Effective tax rate / Income tax benefit	**-6.56%**	**(4,584)**	**25.00%**	**-**

The Company and the Dutch tax authorities have reached agreement on all income tax filings up to and until 2009.

The tax effects of temporary differences influencing significant portions of the deferred tax assets and deferred tax liabilities as at December 31, 2012 and 2011 are presented below:

Amounts in thousands of €	December 31, 2010	Recognised in profit or loss	December 31, 2011	Recognised in profit or loss	December 31, 2012
Tax loss carry forwards	-	-	-	4,584	4,584
Deferred tax assets	**-**	**-**	**-**	**4,584**	**4,584**

The deferred tax asset is calculated at a tax rate of 25.0%.

Recognised deferred tax assets reflect management's estimate of realisable amounts based on historic growth numbers and expected net result. The amounts of tax loss carry forwards are subject to assessment by local tax authorities.

The expiration of the available tax loss carry forwards and recognised tax assets is as follows:

For the years ended

Amounts in thousands of €	December 31, 2012		December 31, 2011	
	Net Operating loss	Deferred tax asset	Net Operating loss	Deferred tax asset
Tax losses for which no deferred tax asset is recognised	-	-	-	-
Tax losses for which a deferred tax asset is recognised	(19,416)	(4,854)	-	-
Total	**(19,416)**	**(4,854)**	**-**	**-**

Amounts in thousands of €	2012
December 31, 2012	(19,416)
Total net operating loss	**(19,416)**

9 Investment in subsidiaries

Movements of Ziggo N.V.'s investment in subsidiaries were as follows:

Amounts in thousands of €	2012	2011
Balance at January 1	**43**	-
Establishment new investment	-	43
Acquisition of Zesko B.V.	3,699,957	-
Balance at December 31	**3,700,000**	**43**

On March 20, 2012, Ziggo N.V acquired a 100% interest in Zesko B.V., which is head of the Ziggo Group and owner and operator of a broadband cable network in the Netherlands. It provides analogue and digital radio and television, broadband internet and telephony services in the Netherlands to 2.9 million households and businesses under the brand name Ziggo (see also Note 2).

10 Shareholders' equity

Ziggo N.V. is incorporated as a public limited company under Dutch law. Its authorised capital consists entirely of ordinary shares.

Amounts in thousands of €	December 31, 2012	December 31, 2011
Authorised capital		
Ordinary shares 200 million of €1 each (2011: 450,000 shares of €0.10 each)	200,000	45
Issued and fully paid (200 million shares)	200,000	45
Share premium	3,500,000	-
Treasury stock	(36)	-
Retained earnings	(15,328)	-
Equity attributable to equity holders	**3,684,636**	**45**

The difference between equity in the consolidated statement of financial position and the corporate statement of financial position is presented below (see also Note 2).

Amounts in thousands of €	December 31, 2012
Equity in the consolidated financial statement of Ziggo N.V.	**1,378,904**
Acquisition of Zesko B.V. at fair value in corporate financial statements	2,427,492
Dividend received from subsidiaries	110,000
Result of subsidiaries in consolidated financial statements	(228,298)
Cash flow hedge reserve in consolidated financial statements	(3,462)
Equity in the corporate financial statement of Ziggo N.V.	**3,684,636**

The effect of the acquisition of Zesko B.V. at fair value in the corporate financial statements equals the difference between the fair value of Zesko B.V. (€3.7 billion) and its net asset value (€1.3 billion) on March 20, 2012.

The difference between the net result in the consolidated statement of income and the corporate statement of income is presented below:

Amounts in thousands of €	December 31, 2012
Net result in the consolidated financial statement of Ziggo N.V.	**192,770**
Dividend received from subsidiaries	110,000
Result of subsidiaries in consolidated financial statements	(228,298)
Net result in the corporate financial statement of Ziggo N.V.	**74,472**

Reconciliations for the comparative figures are not included as Ziggo N.V. was not the head of the group as at December 31, 2011.

11 Other current liabilities

Ziggo N.V. has the following intercompany balances with group companies, included under other current liabilities:

Amounts in thousands of €	December 31, 2012	December 31, 2011
Ziggo B.V.	19,952	-

12 Commitments and contingencies

Ziggo N.V. has no outstanding commitments or contingencies.

13 Related party disclosures

Identification of related parties

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

Transactions and positions

In the normal course of business, Ziggo N.V. conducts 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 N.V., either individually or in the aggregate.

Remuneration

For the remuneration of the members of the Board of Management, reference is made to Note 7 in the consolidated financial statements.

14 Subsequent events

In January, an agreement has been reached with a small number of banks on a committed PIK term facility of €150 million with a two year maturity at the level of Ziggo N.V. Costs related to this facility include an upfront fee of 0.5% and a commitment fee of 1% per annum. As collateral for this facility, Ziggo N.V. has provided a pledge on 7.5% of the outstanding share capital of its wholly owned subsidiary Zesko B.V. The purpose of this facility is to provide for a capital distribution policy in line with what has been outlined as a dividend policy post 2014 at the time of the IPO.

On February 5, 2013, Ziggo communicated the intended decision to its employees to outsource most of the activities of its contact centre in The Hague to Teleperformance. The works council has been informed about the intended decision and has been requested to give its advice. It is Ziggo's intention to outsource the activities of its contact centre involving around 80 employees to Teleperformance.

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

15 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 €	2012	2011
Audit and audit related fees	750	650
Tax related fees	-	374
Transactional related (compliance) fees	950	1,801
Other non-audit fees	356	36
Total	**2,056**	**2,861**

Ziggo N.V. paid Auditor's fees for 2012 for a total amount of €2.056 million of which €0.950 million transactional (compliance) fees related to the IPO and €0.356 million other non-audit fees.

Supervisory Board

Andy Sukawaty
David Barker
Caspar Berendsen
Paul Best
Joseph Schull
Dirk Jan van den Berg
Anne Willem Kist
Rob Ruijter

Board of Management

Bernard Dijkhuizen
Bert Groenewegen
Marcel Nijhoff
Paul Hendriks

Utrecht, The Netherlands
March 1, 2013

Appropriation of result

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

It is proposed to declare a dividend of €1.45 per ordinary share. In September 2012, an interim dividend of €0.55 per ordinary share was paid in cash. Accordingly it is proposed that a final dividend of €0.90 will be paid. Net income not paid in the form of dividends will be added to the retained earnings.

Independent auditor's report

To: the Shareholders of Ziggo N.V.

Report on the financial statements

We have audited the accompanying financial statements 2012 of Ziggo N.V., Amsterdam. The financial statements include the consolidated financial statements and the corporate financial statements. The consolidated financial statements comprise the consolidated statement of income, consolidated statement of comprehensive income for the year ended 31 December 2012, the consolidated statement of financial position as at 31 December 2012, consolidated statement of changes in equity and consolidated statement of cash flows for the year then ended, and notes, comprising a summary of the significant accounting policies and other explanatory information. The corporate financial statements comprise the corporate statement of income/statement of comprehensive income for the year ended 31 December 2012, the corporate statement of financial position as at 31 December 2012, corporate statement of changes in equity and corporate statement of cash flows for the year then ended, and the notes, comprising a summary of the accounting policies and other explanatory information.

Management's responsibility

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

Auditor's responsibility

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

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

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

Opinion with respect to the financial statements

In our opinion, the financial statements give a true and fair view of the financial position of Ziggo N.V. as at 31 December 2012, 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.

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, March 1, 2013

Ernst & Young Accountants LLP

signed by F.J. Blenderman

Contact details and address

Ziggo N.V.

Postal address:
P.O. Box 43048
3540 AA Utrecht
The Netherlands

Visiting address:
Atoomweg 100
3542 AB Utrecht
The Netherlands
Telephone: +31 (0) 88 717 0000

E-mail: corporatecommunications@office.ziggo.nl
www.ziggo.com

Disclaimer

The annual report and accounts contain certain forward-looking statements with respect to the financial condition, results, operations and businesses of Ziggo N.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
Corporate Communications
P.O. Box 43048
3540 AA Utrecht
The Netherlands