



Virgin Media O2¹ publishes quarterly results to 30 September 2021

Virgin Media O2 challenges the market as it launches first joint bundles, expands gigabit footprint and drives revenue growth

London, UK - 4 November 2021

- Strong commercial momentum: +38,000 fixed customer adds taking fixed-line base to 5.7 million and +108,000 contract mobile additions taking our total mobile base to 41.6 million in Q3
- Invested £1.4bn of capital YTD in network infrastructure and customer experience to fuel future growth and boost connectivity across more of the UK
- Unrivalled UK gigabit broadband rollout reaching 12.8 million premises and 5G services available in 210 towns and cities; targeting 50% population coverage in 2023
- First joint mobile and fixed product, VOLT, live in the market, just four months after company formed
- Delivered transaction adjusted revenue growth of +1% YoY and £913 million of transaction adjusted EBITDA in Q3

Lutz Schüler, CEO of Virgin Media O2, said:

“We are firing on all cylinders as a new company, just 150 days old. We have real commercial momentum with the launch of new converged bundles, sustained network rollout and subscriber gains across fixed and mobile. We remain firmly on-track to achieve our synergy target by mid-2026.

“We’ve driven a return to top line growth in Q3, while investing in connectivity, customer service and digital programmes for strong performance over the long term. With the core foundations already in place, we are fired up and focused on our mission to upgrade the UK.”

Strong demand for connectivity driving sustained subscriber growth

Fixed net adds were 38,000, with a sixth consecutive quarter of growth in both Project Lightning areas and the existing footprint. Q3 broadband net adds were **42,000** reflecting the continued demand for faster broadband speeds. The average speed across the company’s broadband base was 202Mbps at the end of Q3, 4x the national average of 50Mbps. Supporting thousands of businesses through the pandemic with the SOHO customer base up 38% YoY.

Contract mobile net adds of 108,000 and total mobile connections of **686,000** in Q3 were due to strong growth in IoT and contract connections as COVID lockdown restrictions eased and trading returned to normalised levels.

Investing to upgrade the UK’s digital infrastructure

Gigabit speeds are now available to half of all UK premises predominantly due to Virgin Media O2, the UK’s largest gigabit speed provider by a wide margin. The company’s gigabit footprint now reaches **12.8 million** premises and is on track to provide complete network-wide coverage of its 1.1Gbps speeds by the end of 2021.

FTTP upgrade pilots are underway as part of the company’s plan to deploy full fibre across the entire network with completion in 2028. In addition, demonstrating the power of the business’ existing network, successful real-world 2.2Gbps trials are successfully taking place in Edinburgh and Birmingham using current DOCSIS 3.1 network technology, delivering speeds 43x faster than the UK average.



Project Lightning network expansion saw **67,000** new premises passed in Q3, taking the company's cumulative Lightning build to **2.6 million**.

5G and 4G service investment is continuing. The company is targeting 50% population coverage of 5G services by 2023 and is strengthening the 5G experience offered over the O2 network by rolling out infrastructure based on customer need. It is leveraging its leading position in low-band spectrum with the targeted deployment of the 700MHz band. Boosting 4G capacity also remains a key focus for investment; the company has upgraded 4G capacity in 85,000 postcodes since the start of the year.

Improving customer experience and pushing forward with product innovation

Reinforcing its position as the UK's leading converged challenger, Virgin Media O2 launched its first joint bundles for consumer and SOHO customers after just four months as a combined business. The new "Volt" bundles offer new and existing customers more speed, more data and more value when taking Virgin Media broadband and eligible O2 Pay Monthly plans. O2 retail stores have been rebranded and upgraded to offer both fixed and mobile services on the high street and O2's Priority loyalty scheme, which provided £4.3 million of value to O2 customers in Q3, has been extended to Virgin Media broadband customers with the launch of Volt bundles.

O2 maintained industry-leading loyalty with contract churn at **0.9%** and building upon a variety of customer and network experience accolades over the years, O2 was named Network of the Year and Best Online Retailer at the recent Mobile Industry Awards.

Continued investment in customer service and digitalisation has contributed a 92% reduction in Virgin Media complaints and lower call waiting times with fixed customer relationship NPS increasing 6 points since Q1 2021 and transactional NPS improving 5 points during Q3 for service interactions in the digital care channel. The company has hired 1,000 UK based customer service agents since the start of the pandemic and has launched a recruitment drive to fill 400 roles including engineers, apprentices and retail positions nationwide by the end of 2021.

Virgin TV 360, the company's latest TV platform is driving higher satisfaction and overall usage. The NPS of Virgin TV 360 is almost 20 points higher than the predecessor V6 set-top box and 90% of subscribers are making use of integrated apps. Innovation is continuing with the upcoming launch of an IPTV service which will offer a seamless app and streaming-based experience.

Positive revenue coupled with investment in long-term growth drivers

Revenue¹: Total transaction adjusted revenue increased 0.7% YoY to £2,603.7 million in Q3. Mobile revenue was broadly flat YoY at £1,465.6 million, with a 7.4% YoY increase in handset revenue fueled by increased upgrade activity following mobile hardware launches from Samsung and Apple being offset by lower service revenue due to the continued impact of a change in the distribution channel mix. Consumer fixed revenue increased by 1.0% YoY supported by a 2.4% YoY increase in fixed-line customers partially offset by a 2.1% YoY decline in transaction adjusted fixed-line customer ARPU due in part to the short-term impact from annual best tariff notifications, which will ease from February 2022. B2B fixed revenue was affected by the phasing of installation activity for high-capacity data services within Wholesale, while Other revenue increased 25.7% to £113.9 million underpinned by growth related to the company's smart metering programme.

Adjusted EBITDA¹: Transaction adjusted EBITDA decreased 0.6% YoY to £912.7 million, excluding £11.0 million of opex cost to capture "CTC". This performance was due to a change in the revenue mix and increased investment in future growth drivers of digitalisation, product development, increased sales

and marketing expenses ahead of the peak Q4 trading period and higher programming costs. Transaction adjusted EBITDA margin returned to a more normalised level of 35.1% compared to 36.7% in Q2 2021.

Adjusted EBITDA less Capex¹: The company has continued to deliver substantial transaction adjusted EBITDA less capex² of £385.4 million in Q3, excluding £20.1 million of opex and capex CTC, while investing in capital projects to deliver future growth. Property and equipment (“P&E”) additions increased 11.3% YoY to £500.1 million, as the company continued to invest in its fixed and mobile infrastructure. In addition, ROU asset additions decreased YoY to £27.2 million in Q3. Overall capital intensity (P&E and ROU asset additions as a % of revenue) was 20.3% in Q3, compared to 18.6% in Q3 2020, partly due to spend being H2 weighted in 2021.

Free Cash Flow: Adjusted free cash flow was £227.1 million for the four month period since the company was formed and an outflow of £57.4 million in Q3.

Guidance: Full year 2021 pro forma transaction adjusted EBITDA growth is expected to be flat to positive. 2021 cash distribution to shareholders of at least £300 million, while maintaining leverage at the upper-end of the 4-5x range.

Strong capital structure to support business growth

At 30 September 2021, Virgin Media O2’s fully-swapped third-party debt borrowing cost was 4.6% and the average tenor of third-party debt (excluding vendor financing) was 7.7 years.

The company launched its first Green Bonds in June 2021 comprising \$850 million 4.75% Senior Secured Notes due 2031 and £675 million 4.5% Senior Secured Notes due 2031. The proceeds were used to redeem £1,124 million Term Loan P and partial redemption of the 5.5% Senior Secured Notes due 2026 in July. The 2031 Green Bonds were subsequently tapped in July, and an additional \$550 million was issued and used to repay the remaining 5.5% Senior Secured Notes due 2026. The net proceeds of the Green Bonds will be allocated to projects in accordance with the VMED O2 Green Bond Framework. It is expected that projects with energy efficiency benefits will make up a large majority of the eligible spend.

At 30 September 2021, and subject to the completion of the corresponding compliance reporting requirements, the ratios of Net Senior Debt and Net Total Debt to Annualised pro forma adjusted EBITDA (last two quarters annualised) were 3.38x and 3.71x, respectively, each as calculated in accordance with the most restrictive covenants, and reflecting the Credit Facility Excluded Amounts as defined in the respective credit agreements. Vendor financing, lease and certain other obligations are not included in the calculation of the company’s leverage covenants. If these obligations were included in the leverage ratio calculation, and Virgin Media O2 did not reflect the exclusion of the Credit Facility Excluded Amounts, the ratio of Total Net Debt to Annualised EBITDA would have been 4.76x at 30 September 2021.

At 30 September 2021, the company had maximum undrawn commitments of £1.0 billion equivalent. The company has signed commitment letters with several banks and financial institutions to increase the Revolving Credit Facility to £1,378 million. When compliance reporting requirements have been completed and assuming no change from 30 September 2021 borrowing levels, it is anticipated that the full borrowing capacity will be available, based on the maximum the company can incur and upstream which is subject to a 4x net senior test.

Operating Statistics Summary

As of and for the
three months ended
30 September

	2021	2020
Footprint		Pro forma
Homes Passed	15,546,300	15,191,700
Fixed-Line Customer Relationships		
Fixed-Line Customer Relationships	5,715,600	5,583,600
O/w Broadband Connections	5,536,400	5,365,400
Q3 Fixed-Line Customer Relationship net additions	38,500	37,600
O/w Broadband net additions	42,300	47,000
Q3 Monthly Transaction Adjusted ARPU per Fixed-Line Customer Relationship	£ 49.41	£ 50.45
Mobile		
Retail Connections	31,864,600	29,701,200
Mobile	24,093,300	23,767,200
Contract	15,809,300	15,431,300
Prepaid	8,284,000	8,335,900
IoT	7,771,300	5,934,000
Wholesale Connections	9,773,600	9,018,300
Total Mobile Connections	41,638,200	38,719,500
Retail net additions	506,500	1,029,200
Mobile net additions	29,500	671,000
Contract net additions	108,000	107,900
Prepaid net additions (losses)	(78,500)	563,100
IoT net additions	477,000	358,200
Wholesale net additions	179,200	324,000
Total Mobile net additions	685,700	1,353,200

Financial Results, Transaction Adjusted EBITDA Reconciliation, Property and Equipment Additions and Adjusted Free Cash Flow

The following table reflects preliminary unaudited selected financial results for the three months ended 30 September 2021 (actual) and 2020 (pro forma) and pro forma results for the nine months ended 30 September 2021 and 2020:

	Actual	Pro forma				
	Three months ended	Three months ended	Nine months ended			
	30 September 2021	30 September 2020	Increase/ (decrease)	30 September 2021	2020	Increase/ (decrease)
in £ millions, except % amounts						
Transaction Adjusted Revenue						
Mobile	1,465.6	1,462.7	0.2%	4,231.6	4,385.4	(3.5%)
Handset	408.4	380.1	7.4%	1,101.3	1,126.8	(2.3%)
Fixed	1,024.2	1,031.9	(0.7)%	3,091.3	3,066.0	0.8%
Consumer Fixed	868.7	860.4	1.0%	2,597.0	2,580.3	0.6%
Subscription	847.1	843.8	0.4%	2,538.3	2,538.3	—%
Other	21.6	16.6	30.1%	58.7	42.0	39.8%
B2B Fixed	155.5	171.5	(9.3)%	494.3	485.7	1.8%
Other	113.9	90.6	25.7%	340.2	318.1	6.9%
Transaction Adjusted Revenue	2,603.7	2,585.2	0.7%	7,663.1	7,769.5	(1.4%)
Transaction adjustments ⁽ⁱ⁾	(9.7)	(8.6)	12.8%	(21.4)	(32.5)	(34.2%)
Total Revenue	2,594.0	2,576.6	0.7%	7,641.7	7,737.0	(1.2%)
Transaction Adjusted EBITDA						
Transaction Adjusted EBITDA	912.7	917.9	(0.6%)	2,755.7	2,668.3	3.3%
Transaction Adjusted EBITDA as a % of Revenue	35.1%	35.5%		36.0%	34.3%	
Opex CTC	(11.0)	(10.6)		(29.0)	(10.6)	
Transaction Adjusted EBITDA including CTC	901.7	907.3	(0.6%)	2,726.7	2,657.7	2.6%
Transaction Adjusted EBITDA less Capex						
Transaction Adjusted EBITDA	912.7	917.9	(0.6%)	2,755.7	2,668.3	3.3%
Property & equipment additions	500.1	449.4	11.3%	1,427.1	1,307.4	9.2%
ROU asset additions ⁽ⁱⁱ⁾	27.2	32.4	(16.0)%	367.6	107.6	241.6%
Transaction Adjusted EBITDA less Capex	385.4	436.1	(11.6%)	961.0	1,253.3	(23.3%)
Transaction Adjusted EBITDA less Capex as a % of Revenue	14.8%	16.9%		12.5%	16.1%	
Opex and Capex CTC	(20.1)	(10.6)		(50.2)	(10.6)	
Transaction Adjusted EBITDA less Capex including CTC	365.3	425.5	(14.1%)	910.8	1,242.7	(26.7%)
Spectrum license additions	—	—		448.0	—	
Adjusted Free Cash Flow (FCF)						
Adjusted FCF ⁽ⁱⁱⁱ⁾	(57.4)					

⁽ⁱ⁾ Revenue transaction adjustments relate to the reversal of the deferred revenue write-off as further described in FN (iv)(b)

⁽ⁱⁱ⁾ ROU asset additions include £309.6 million in YTD 2021 relating to the renewal of the CTIL agreement in January 2021

⁽ⁱⁱⁱ⁾ Adjusted FCF for the 4-month period since the formation of Virgin Media O2 was £227.1 million

The following table provides a reconciliation of net profit (loss) to Transaction Adjusted EBITDA for the three months ended 30 September 2021 (actual) and 2020 (pro forma) and pro forma results for the nine months ended 30 September 2021 and 2020:

	Actual	Pro forma			
	Three months ended	Three months ended	Nine months ended		Increase / (Decrease)
	30 September 2021	30 September 2020	30 September 2021	2020	
			Increase / (Decrease)		
		in £ millions, except % amounts			
Net Profit (Loss)	16.5	(146.2)	121.8	(614.4)	
Income Tax Expense (Benefit)	15.9	(61.4)	(174.5)	(153.0)	
Other Expense (Income), net	(0.1)	—	(1.1)	—	
Share of Losses (profit) of Investments Accounted for by the Equity Method	(0.1)	(0.4)	(0.2)	(0.9)	
Finance Income	(359.8)	(254.9)	(599.4)	(764.3)	
Finance Costs	382.8	471.9	751.4	1,490.0	
Operating Income	55.2	9.0	98.0	(42.6)	
Depreciation and Amortization	852.5	908.2	2,614.2	2,743.9	
Share-based Compensation Expense	11.9	9.1	33.1	27.2	
Restructuring and other operating	6.0	3.9	26.2	15.4	
Cost to Capture	11.0	10.6	29.0	10.6	
Adjusted EBITDA	936.6	940.8	(0.4%) 2,800.5	2,754.5	1.7%
Transaction Adjustments ^(iv)	(23.9)	(22.9)	(44.8)	(86.2)	
Transaction Adjusted EBITDA	912.7	917.9	(0.6%) 2,755.7	2,668.3	3.3%

The following table provides a reconciliation of our net cash provided by operating activities to Adjusted Free Cash Flow for the three months and four months ended 30 September 2021:

	Three months ended 30 September 2021	Four months ended 30 September 2021
	in £ millions	
Net cash provided by operating activities	498.9	956.3
Expenses financed by an intermediary	452.2	628.3
Capital expenditures, net	(320.2)	(361.5)
Principal payments on amounts funded by vendors and intermediaries	(623.2)	(903.7)
Principal payments on certain finance leases	(65.1)	(92.3)
Adjusted FCF	(57.4)	227.1

^(iv) In connection with the completion of the joint venture, the opening balance sheet of the combined business was reported at its estimated fair value. As such, certain amounts were adjusted to reflect the new basis of accounting. These transaction adjustments therefore reverse the effect of the following:

- Deferred commissions and install costs write-off of £33.6 million and £31.5 million for the three months ended 30 September 2021 and 2020 and £66.2 million and £118.7 million for the nine months ended 30 September 2021 and 2020, respectively
- Deferred revenue write-off of £9.7 million and £8.6 million for the three months ended 30 September 2021 and 2020 and £21.4 million and £32.5 million for the nine months ended 30 September 2021 and 2020, respectively

Third-Party Debt, Finance Lease Obligations and Cash and Cash Equivalents

The following table details the borrowing currency and pound sterling equivalent of the nominal amount outstanding of VMED O2's consolidated third-party debt, finance lease obligations and cash and cash equivalents:

	30 September 2021		30 June 2021	
	Borrowing currency	£ equivalent in millions		
Senior and Senior Secured Credit Facilities:				
Term Loan P (LIBOR + 2.75%) due 2026	£	376.0	376.0	1,354.0
Term Loan L (LIBOR + 3.25%) due 2027	£	400.0	400.0	400.0
Term Loan M (LIBOR + 3.25%) due 2027	£	500.0	500.0	500.0
Term Loan N (LIBOR + 2.50%) due 2028	\$	3,300.0	2,451.3	2,391.2
Term Loan O (EURIBOR + 2.50%) due 2029	€	750.0	644.6	643.9
Term Loan Q (LIBOR + 3.25%) due 2029	\$	1,300.0	965.7	942.0
Term Loan R (LIBOR + 3.25%) due 2029	€	750.0	644.6	633.0
£1,000 million (equivalent) RCF (LIBOR + 2.75%) due 2026	£	—	—	—
VM Financing Facilities (GBP equivalent)	£	11.2	11.2	26.1
Total Senior and Senior Secured Credit Facilities			5,993.4	6,890.2
Senior Secured Notes:				
5.50% USD Senior Secured Notes due 2026	\$	750.0	—	543.5
5.00% GBP Senior Secured Notes due 2027	£	675.0	675.0	675.0
5.50% USD Senior Secured Notes due 2029	\$	1,425.0	1,058.5	1,032.6
5.25% GBP Senior Secured Notes due 2029	£	340.0	340.0	340.0
4.00% GBP Senior Secured Notes due 2029	£	600.0	600.0	600.0
4.25% GBP Senior Secured Notes due 2030	£	635.0	635.0	635.0
4.50% USD Senior Secured Notes due 2030	\$	915.0	679.7	663.0
4.125% GBP Senior Secured Notes due 2030	£	480.0	480.0	480.0
3.25% EUR Senior Secured Notes due 2031	€	950.0	816.6	815.6
4.25% USD Senior Secured Notes due 2031	\$	1,350.0	1,002.8	978.2
4.75% USD Senior Secured Notes due 2031	\$	1,400.0	1,040.0	—
4.5% GBP Senior Secured Notes due 2031	£	675.0	675.0	—
Total Senior Secured Notes			8,002.6	6,762.9
Senior Notes:				
5.00% USD Senior Notes due 2030	\$	925.0	687.1	670.3
3.75% EUR Senior Notes due 2030	€	500.0	429.8	429.3
Total Senior Notes			1,116.9	1,099.6
Vendor financing			2,285.9	2,258.1
Other debt			202.5	212.4
Lease obligations			968.9	1,008.3
Total third-party debt and lease obligations			18,570.2	18,231.5
Less: unamortised premiums, discounts and deferred financing costs, fair value adjustments, net			(71.4)	(107.8)
Total carrying amount of third-party debt and lease obligations			18,641.6	18,339.3
Less: cash and cash equivalents			551.2	474.6
Net carrying amount of third-party debt and lease obligations			18,090.4	17,864.7
Exchange rate (€ to £)			1.1634	1.1641
Exchange rate (\$ to £)			1.3462	1.3801

Covenant Debt Information

The following table details the pound sterling equivalent of the reconciliation from Virgin Media O2's consolidated third-party debt to the total covenant amount of third-party gross and net debt and includes information regarding the projected principal-related cash flows of our cross-currency derivative instruments. The pound sterling equivalents presented below are based on exchange rates that were in effect as of 30 September 2021. These amounts are presented for illustrative purposes only and will likely differ from the actual cash payments or receipts in future periods.

	30 September 2021	30 June 2021
	in £ millions	
Total Third-party Debt and Lease Obligations (£ equivalent)	18,570.2	18,231.5
Vendor Financing	(2,153.5)	(2,130.6)
Other Debt	(202.5)	(212.4)
Credit Facility Excluded Amount	(952.8)	(966.2)
Lease Obligations	(968.9)	(1,008.3)
Projected Principal-related Cash Payments (Receipts) Associated With Our Cross-currency Derivative Instruments	131.1	65.4
Total Covenant Amount of Third-party Gross Debt	14,423.6	13,979.4
Cash and Cash Equivalents	(37.2)	(44.2)
Total Covenant Amount of Third-party Net Debt	14,386.4	13,935.2



Forward-Looking Statements

This press release contains forward-looking statements including statements regarding our strategies, future growth ambitions and opportunities, and other information and statements that are not historical fact. Accordingly, one should not place undue reliance on these statements.

Contact Information

Virgin Media O2 Investor Relations:

Vani Bassi +44 333 000 2912

Virgin Media O2 Corporate Communications:

James Lusher +44 333 000 2900

About Virgin Media O2

VMED O2 UK Limited (Virgin Media O2) is an integrated communications provider of broadband internet, video, fixed-line telephony and mobile services to residential customers and businesses in the United Kingdom (U.K.). Virgin Media O2 is a 50:50 joint venture between Liberty Global plc (Liberty Global) and Telefónica, SA (Telefónica).

Liberty Global (NASDAQ: LBTYA, LBTYB and LBTYK) is a world leader in converged broadband, video and mobile communications services. It delivers next-generation products through advanced fiber and 5G networks that connect 85 million subscribers across Europe and the United Kingdom. Liberty Global's businesses operate under some of the best-known consumer brands, including Virgin Media O2 in the UK, VodafoneZiggo in The Netherlands, Telenet in Belgium, Sunrise UPC in Switzerland, Virgin Media in Ireland and UPC in Eastern Europe. Through its substantial scale and commitment to innovation, it is building Tomorrow's Connections Today, investing in the infrastructure and platforms that empower our customers to make the most of the digital revolution, while deploying the advanced technologies that nations and economies need to thrive. Liberty Global's consolidated businesses generate annual revenue of more than \$7 billion, while its joint-ventures in the UK and the Netherlands generate combined annual revenue of more than \$17 billion.

Telefónica is one of the world's leading telecommunications service providers. The company offers fixed and mobile connectivity services, as well as a wide range of digital services for individuals and businesses. It is present in Europe and Latin America, where it has more than 345 million customers. Telefónica is a fully private company whose shares are listed on the Continuous Market of the Spanish stock exchanges and on the New York and Lima stock exchanges.



Footnotes

1. Formed on 1 June 2021, Virgin Media O2 is a 50:50 joint venture between Liberty Global plc (**Liberty Global**) and Telefónica, SA (**Telefónica**). The information provided in this release includes the financial information of VMED O2 UK Limited, a holding company that is not included as a restricted subsidiary for purposes of the facilities agreement and bond indentures governing Virgin Media O2. Disclosures may differ from reporting required under debt covenant arrangements.

This release includes the actual IFRS results for Virgin Media O2 for the three months (**Q3**) ended 30 September 2021, as well as pro forma results for the nine months (**YTD**) ended 30 September 2021 and the comparative results for the prior year Q3 and YTD periods for the company as though the joint venture was created on 1 January 2020. The commentary and YoY growth rates presented in this release are based on a comparison of the actual results for Q3 2021 compared to the pro forma results for Q3 2020. The financial and operating information contained herein is preliminary and subject to change. The full unaudited IFRS report and accounts will be posted to the Virgin Media O2 website prior to the end of November 2021.

2. Effective with the release of our third quarter earnings we have stopped using the term Operating Free Cash Flow ("OFCF") and now use the term "Transaction Adjusted EBITDA less Capex". As we define the term, Transaction Adjusted EBITDA less Capex has the same meaning as OFCF had previously, and therefore does not impact any previously reported amounts.

Glossary

Adjusted Free Cash Flow: Net cash provided by our operating activities, plus expenses financed by an intermediary, less (a) capital expenditures, as reported in our condensed consolidated statements of cash flows, (b) principal payments on amounts financed by vendors and intermediaries and (c) principal payments on certain finance leases. We believe that our presentation of Adjusted Free Cash Flow, which is a non-GAAP measure, provides useful information to our investors because this measure can be used to gauge our ability to service debt and fund new investment opportunities. Adjusted Free Cash Flow should not be understood to represent our ability to fund discretionary amounts, as we have various mandatory and contractual obligations, including debt repayments, which are not deducted to arrive at this amount. Investors should view Adjusted Free Cash Flow as a supplement to, and not a substitute for, GAAP measures of liquidity included in our condensed consolidated statements of cash flows.

ARPU per fixed-line customer: Average Revenue Per Unit is the average monthly subscription revenue per average fixed line customer. Calculated by dividing the average monthly subscription revenue from residential cable and SOHO services by the average number of fixed line customer relationships for the period. Fixed-line customer relationships of entities acquired during the period are normalized. In addition, for purposes of calculating the percentage change in ARPU on a rebased basis, which is a non-GAAP measure, we adjust the prior-year subscription revenue and fixed-line customer relationships to reflect acquisitions and dispositions on a comparable basis with the current year, consistent with how we calculate our pro forma growth for transaction adjusted revenue and transaction adjusted EBITDA.

B2B: Business-to-Business.

Blended fully-swapped debt borrowing cost: The weighted average interest rate on our aggregate variable- and fixed-rate indebtedness (excluding finance leases and including vendor financing obligations), including the effects of derivative instruments, original issue premiums or discounts and commitment fees, but excluding the impact of financing costs.

Contract Churn: The rate at which contract subscribers relinquish their subscriptions. This is calculated by dividing the proportion of postpay contract mobile connections who have terminated their contract (Consumer, SMB, Enterprise and Mobile Broadband) for the period concerned by the average base.

CTC: Costs to capture generally include incremental, third-party operating and capital related costs that are directly associated with integration activities, restructuring activities, and certain other costs associated with aligning our business processes to derive synergies. These costs are necessary to the joint venture being formed or are incidental to the joint venture formation. As a result, costs to capture may include certain (i) operating costs that are included in Adjusted EBITDA, (ii) capital related costs that are included in property and equipment additions and in Adjusted EBITDA less capex and (iii) certain integration related restructuring expenses that are not included within Adjusted EBITDA or Adjusted EBITDA less capex. Given the achievement of synergies occurs over time, certain of our costs to capture are recurring by nature, and generally incurred within a few years of completing the transaction.

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

Fixed-Mobile Convergence (FMC) penetration: Fixed-mobile convergence penetration represents the number of customers who subscribe to both a fixed broadband internet service and postpaid mobile telephony service, divided by the total number of customers who subscribe to our fixed broadband internet service.

Homes Passed: Homes, residential multiple dwelling units or commercial units that can be connected to our networks without materially extending the distribution plant. Certain of our Homes Passed counts are based on census data that can change based on either revisions to the data or from new census results.

Broadband Connection: A home, residential multiple dwelling unit or commercial unit that receives internet services over our networks, or that we service through a partner network.

IoT Connections: Total number of Machine-to-Machine (M2M) contract mobile connections including Smart Metering (SMIP) contract connections

Lightning Premises: Includes homes, residential multiple dwelling units and commercial premises that potentially could subscribe to our residential or SOHO services, which have been connected to our networks as a part of our Project Lightning network extension program in the UK. Project Lightning infill build relates to construction in areas adjacent to our existing network.

Mobile Retail Connections: The number of active SIM cards in service rather than services provided. For example, if a mobile subscriber has both a data and voice plan on a smartphone this would equate to one mobile subscriber. Alternatively, a subscriber who has a voice and data plan for a mobile handset and a data plan for a laptop would be counted as two mobile subscribers. Customers who do not pay a recurring monthly fee are excluded from our mobile telephony subscriber counts after periods of inactivity of 90 days. Total number of retail mobile connections includes Consumer, SMB, Enterprise, Mobile Broadband and IoT (comprising M2M and SMIP) and excluding Mobile Wholesale Connections (as defined below)

Mobile Contract: Total number of Postpaid contract retail mobile connections including Consumer, SMB, Enterprise and Mobile Broadband but excluding M2M, SMIP and Mobile Wholesale Connections (as defined below)

Mobile Prepaid: Total number of Prepay retail mobile connections for Virgin Media, O2 and giffgaff brands measured on a conventional basis (activity within 3 calendar months)



Mobile Wholesale Connections: Total number of wholesale MVNO contract connections (Tesco mobile, Sky, Lyca, SMB Wholesale and other)

MVNO: Mobile Virtual Network Operator.

NPS: Net Promoter Score.

Pro forma: This assumes the joint venture transaction occurred on 1 January 2020 and pushes back purchase price accounting, policy alignment and transaction adjustments to this date. The pro forma financial statements, which have been prepared in accordance with IFRS, do not purport to project the results of operations or financial condition of the UK JV for any future period nor do they purport to represent what the actual results of operations or financial condition of the UK JV would have been had the joint venture transactions occurred on the dates indicated.

P&E additions: Includes capital expenditures on an accrual basis, amounts financed under vendor financing or finance lease arrangements and other non-cash additions but excludes CTC capex costs.

ROU asset: The right-of-use asset is the lessee's right to use an asset over the contracted term of a lease.

SIM: Subscriber Identification Module.

SOHO: Small or Home Office Subscribers.

Transaction Adjusted EBITDA: This is Adjusted EBITDA which has been normalised for certain adjustments which have been made to more accurately represent the performance of the underlying operations. These adjustments reflect the new basis of accounting in connection with the completion of the joint venture, where the opening balance sheet of the combined business was reported at its estimated fair value.

Transaction Adjusted EBITDA margin: Transaction adjusted EBITDA margin is a non-GAAP metric calculated by dividing Transaction adjusted EBITDA by total revenue for the applicable period.

Transaction Adjusted EBITDA less capex: This is Transaction Adjusted EBITDA less P&E additions and less ROU asset additions. It is an additional metric the company uses to measure the performance of its operations. For limitations of this metric see the definition of Transaction Adjusted EBITDA.

YoY: Year-over-year.