Virgin Media O2[1] publishes Q4 and full year results to 31 December 2021

Virgin Media O2 cements challenger position with leading gigabit rollout and delivery of strong operating momentum since formation

London, UK - 18 February 2022

- Strong commercial momentum: +142,000 fixed customer adds in 2021 taking fixed-line base to 5.8 million and +344,000 contract mobile additions in 2021 taking our total mobile base to 42.2 million
- Upgrading the UK: completed network-wide Gig1 broadband rollout and 5G services now available in 301 towns/cities
- Delivered £10.4bn of transaction adjusted revenue, 2% growth in transaction adjusted EBITDA to £3.7bn and invested £2bn of capital in network infrastructure and customer experience in 2021

Lutz Schüler, CEO of Virgin Media O2, said:

“In a historic year for our business, which saw the completion of the UK’s largest ever telecoms merger, we stayed focused and finished 2021 on a high.

“We saw sustained subscriber growth across fixed and mobile as the demand for fast, reliable connectivity remains, and delivered an increase in profitability while investing more than £2bn in our network, services and future growth drivers.

“As part of our mission to upgrade the UK, we expanded our 5G coverage, completed our gigabit rollout as promised, and we now plan to extend our footprint to ~23 million premises through a new fibre venture being set up by our shareholders.

“We’ve started this year by being the only big four mobile network to not reintroduce EU roaming charges. This challenger spirit runs deep across the organisation, and we have every intention of building on this energy and maintaining the momentum we’ve built up.”

Strong demand for connectivity driving sustained subscriber growth

Fixed net adds were 142,000 in 2021, with 53,000 in Q4. This represents a seventh consecutive quarter of growth in both Project Lightning areas and the existing footprint. Broadband net adds were 177,000 in 2021 of which 60,000 were delivered in Q4, representing an estimated 57% of UK broadband net additions in the quarter across the incumbent and Virgin Media O2’s fixed networks. This strong performance reflects the continued demand for faster broadband speeds, with an average speed of 214Mbps across the company’s broadband base at the end of Q4 being more than 4x faster than the national average. The company has also supported thousands of businesses through the pandemic and as a result grew its small office and home office (SOHO) customer base by 38% in 2021.

Contract mobile net adds were 344,000 in 2021, of which 129,000 were delivered in Q4 - the peak trading period of the year. The company delivered total mobile net additions of 2.7 million in 2021, including 605,000 in Q4 due to strong growth in IoT, wholesale and contract connections as trading returned to more normalised levels as COVID-related restrictions have eased.

Investing to upgrade the UK's digital infrastructure

Liberty Global and Telefónica, have initiated discussions with a number of potential financial partners regarding an opportunity to participate in the network build joint venture. The focus of the entity will be on building a full fibre network of up to 7 million premises in new greenfield areas by the end of 2027. Virgin Media O2 will commit to being an anchor tenant of the network, with its proven track record of achieving 30% penetration in new build areas. The network will also be available to other ISPs on a wholesale basis. As this extends the company's total gigabit reach to ~23m premises once completed, it provides Virgin Media O2 with a clear incremental growth opportunity by offering services to a wider pool of customers and higher cross and upsell due to the increased overlap of fixed and mobile services.

In the meantime, the company's **Project Lightning network expansion** saw Q4 new build ramp to 93,000, resulting in 328,000 additional premises passed in 2021 and a cumulative Lightning build of 2.7 million. The company has secured ample capacity by leveraging its trusted long term relationships with its build contractors to enable it to accelerate to build more than 500,000 premises in 2022.

Virgin Media O2 completed its **gigabit rollout** on schedule across its 15.6 million footprint during Q4. This means gigabit speeds are now available to over half of all UK premises, with Virgin Media O2 being the biggest contributor to the Government's broadband target.

FTTP upgrade pilots are progressing well, ahead of the planned deployment of full fibre across the entire fixed network commencing later this year with completion in 2028.

5G and 4G service investment is continuing. In 2021 the company delivered 5G to over 2,000 sites across the UK, spanning more than 300 towns and cities and remains on-track for 50% population coverage of 5G services by 2023. In addition, the company is leveraging its leading position in low-band spectrum with the targeted deployment of the 700MHz band, acquired through the UK's 5G spectrum auction earlier this year. Boosting 4G also remains a key focus for investment; the company upgraded 4G capacity in more than 241,000 postcodes through 2021.

Rewarding loyalty and improving customer experience

Virgin Media O2 launched its first joint bundles for consumer and SOHO customers in early October, just four months after the start of the joint business. The new "VOLT" bundles offer new and existing customers taking Virgin Media broadband and eligible O2 Pay Monthly plans an upgrade to the next fixed broadband speed tier; a doubling of mobile data; and more value, with customers getting access to O2 Priority. It is early days but the response to VOLT has been encouraging, with these bundles driving growth in fixed-mobile convergence penetration to 45% by the end of 2021. VOLT is also available across the company's retail stores.

Virgin Media O2 remains focused on enhancing customer experience and sticking to its challenger spirit. In January the company announced its decision to not reintroduce European roaming charges, differentiating itself from all other major UK mobile network operators at a time when Covid travel restrictions start to ease. This decision should further support O2's market leading loyalty which it maintained through Q4, with monthly contract churn at 0.9%.

The importance of high-speed connectivity through the pandemic, combined with continued investment in the digitalisation of customer service and regular reviews of existing processes, have contributed to a steady reduction in fixed customer churn through the year to record low levels in Q4.

Investment in people has meant there are more multiskilled agent who can handle and resolve queries, more of which are being fixed the first time a customer makes contact. In addition, customer interactions using app and web-based channels to resolve queries is growing and reached over 75% during Q4 and more than 90% are successfully resolved via these channels. These factors have led to a 93% reduction in Virgin Media complaints and lower call waiting times, with fixed customer relationship NPS increasing 9 points and transactional NPS improving 16 points for service interactions in the digital care channel from Q1 2021 to the end of Q4 2021. Overall, the company has created more than 1,000 UK based customer service roles in 2021 and 1,300 retail positions. This is coupled with an investment in early careers and skills, which has seen 250 new apprenticeship roles being established since Virgin Media O2 launched with a further 200 roles planned in 2022.

Virgin Media O2 has continued to put sustainability and digital inclusion at the front of centre of the business. In 2021, operational emissions (Scopes 1 and 2) were reduced by 25% across the combined operations, with 100% of electricity coming from renewable sources wherever Virgin Media O2 pays the bill. In partnership with Good Things Foundation, Virgin Media O2 also established the National Databank to tackle data poverty across the UK, with a launch commitment to provide £12.5m worth of O2 connectivity (7.5 million GB of data) by the end of 2023. In November, Virgin Media O2 increased its data pledge to gift 10GB of mobile data to the Databank for every O2 plan purchased between 1 November 2021 and 31 January 2022. This initiative formed the core of O2's Christmas advertising campaign and is expected to triple the company's original data donation. The Databank, which is now being utilised by multiple operators, provides a central hub where community groups can access free 'data voucher codes' and SIM cards for anyone who needs them, with an aim to help over a quarter of a million people get connected by the end of 2023.

Top-line stabilising while continuing to invest in long-term growth drivers

Revenue[1]: Full year 2021 total transaction adjusted revenue was £10,383.3 million with increases in consumer fixed and other revenue offset by declines in Mobile revenue and B2B Fixed revenue, resulting in a 1.2% decline YoY.

In Q4, total transaction adjusted revenue decreased 0.7% YoY to £2,720.2 million in Q4 supported by an improvement in Mobile revenue which increased 0.8% to £1,580.5 million, including a 7.0% YoY increase in handset revenue. This performance was fueled by increased upgrade activity following flagship handset launches in late Q3 partially offset by lower service revenue due to the continued impact of a change in the distribution channel mix. Consumer fixed revenue decreased by 0.5% YoY to £858.5 million. A 2.5% YoY increase in fixed-line customers was offset by a 3.0% YoY decline in transaction adjusted fixed-line customer ARPU due to a change in customer mix and the impact from regulated annual best tariff notifications. B2B fixed revenue decreased 17.7% YoY to £160.5 million due to a high level of installation revenue for high-capacity data services within Wholesale in Q4 2020, while Other revenue increased 6.1% to £120.7 million underpinned by growth related to the company's smart metering programme.

Adjusted EBITDA[1]: Full year 2021 transaction adjusted EBITDA increased 1.9% YoY to £3,673.0 million (before £59.2 million of opex cost to capture "CTC") driven by the suppression of certain costs during the COVID lockdown in the first half the year.

Q4 transaction adjusted EBITDA saw a 2.0% YoY decline to £917.3 million, excluding £30.2 million of opex CTC. This was due to a normalisation of operating costs as COVID restrictions eased; increased investment in future growth drivers of digitalisation, product development and increased sales and marketing expenses through the peak Q4 trading period; and higher programming costs. The company's transaction adjusted EBITDA margin has also normalised YoY to 33.7% in Q4 2021 compared to 34.2% in Q4 2020 as COVID impacts dissipate.

Adjusted EBITDA less Capex[1]: Virgin Media O2 delivered transaction adjusted EBITDA less capex of £1,291.7 million in 2021, before opex and capex CTC of £133.6 million while investing £1,977.2 million of property and equipment ("P&E") additions in capital projects to deliver future growth and network expansion, alongside ROU asset additions of £404.1 million.

Transaction adjusted EBITDA less capex totaled £317.6 million in Q4, before opex and capex CTC of £82.4 million. P&E additions increased 20.1% YoY to £563.2 million, as the company continued to invest in its fixed and mobile infrastructure. In addition, ROU asset additions increased YoY to £36.5 million in Q4.

Free Cash Flow: Adjusted free cash flow was £338.4 million for the seven month period since the company was formed and an inflow of £111.3 million in Q4. Virgin Media O2 made a cash distribution of £322 million to shareholders during Q4.

Full year 2022 guidance: The company expects to deliver mid-single-digit growth in pro forma transaction adjusted EBITDA (before CTC), supported by improved top-line growth and the delivery of synergies which will ramp through the year. Expect opex and capex CTC of over £300 million and P&E additions of around £2.1 billion as the company accelerates network investments. The cash distribution to shareholders is anticipated to be £1.6 billion including cash from recapitalisations to maintain leverage at the upper-end of the 4-5x range.

Strong capital structure to support business growth

At 31 December 2021, Virgin Media O2's fully-swapped third-party debt borrowing cost was 4.5% and the average tenor of third-party debt (excluding vendor financing) was 7.5 years.

The company launched its first Green Bonds in June 2021 comprising $1,400 million 4.75% Senior Secured Notes due 2031 and £675 million 4.5% Senior Secured Notes due 2031, of which 60% had been allocated to projects in accordance with the VMED O2 Green Bond Framework by the end of 2021. Projects with energy efficiency benefits make up a large majority of the eligible spend.

At 31 December 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 3.21x and 3.52x, 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 4.49x at 31 December 2021.

During Q4, the company increased the size of its Revolving Credit Facility from £1,000 million to £1,378 million. At 31 December 2021, the company had maximum undrawn commitments of £1,378 million equivalent. When compliance reporting requirements have been completed and assuming no change from 31 December 2021 borrowing levels, it is anticipated that the full borrowing capacity will available, based on the maximum the company can incur and upstream which is subject to a 4x net senior test.

Operating Statistics Summary

	Three months ended 31 December		Year ended 31 December	
	2021	2020	2021	2020
Footprint	Actual	Pro forma	Pro Forma	Pro Forma
Homes Passed	**15,649,900**	**15,310,800**	**15,649,900**	**15,310,800**
Fixed-Line Customer Relationships				
Fixed-Line Customer Relationships	**5,768,300**	**5,626,700**	**5,768,300**	**5,626,700**
O/w Broadband Connections	5,596,800	5,420,100	5,596,800	5,420,100
Fixed-Line Customer Relationship net additions	**52,700**	**43,100**	**141,600**	**102,100**
O/w Broadband net additions	60,400	54,700	176,700	143,100
Q4 Monthly Transaction Adjusted ARPU per Fixed-Line Customer Relationship	£ 48.71	£ 50.24		
Mobile				
Retail Connections	**32,276,800**	**30,336,600**	**32,276,800**	**30,336,600**
Mobile	24,057,100	23,846,000	24,057,100	23,846,000
Contract	15,938,000	15,594,200	15,938,000	15,594,200
Prepaid	8,119,100	8,251,800	8,119,100	8,251,800
IoT	8,219,700	6,490,600	8,219,700	6,490,600
Wholesale Connections	**9,966,600**	**9,210,800**	**9,966,600**	**9,210,800**
Total Mobile Connections	**42,243,400**	**39,547,400**	**42,243,400**	**39,547,400**
Retail net additions	**412,200**	**635,400**	**1,940,200**	**1,357,500**
Mobile net additions (losses)	(36,200)	78,800	211,100	(14,400)
Contract net additions	128,700	162,900	343,800	433,800
Prepaid net additions (losses)	(164,900)	(84,100)	(132,700)	(448,200)
IoT net additions	448,400	556,600	1,729,100	1,371,900
Wholesale net additions	**193,000**	**192,600**	**755,800**	**496,200**
Total Mobile net additions	**605,200**	**828,000**	**2,696,000**	**1,853,700**

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

The following table reflects preliminary selected financial results for the three months ended 31 December 2021 (actual) and 2020 (pro forma) and pro forma results for the year ended 31 December 2021 and 2020:

	Actual	Pro forma				
	Three months ended 31 December	Three months ended 31 December	Increase/	Year ended 31 December		Increase/
	2021	2020	(decrease)	2021	2020	(decrease)
		in £ millions, except % amounts				
Transaction Adjusted Revenue						
Mobile	**1,580.5**	**1,567.9**	**0.8%**	**5,812.1**	**5,953.3**	**(2.4%)**
Handset	527.7	493.1	7.0%	1,629.0	1,619.9	0.6%
Fixed	**1,019.0**	**1,057.6**	**(3.6%)**	**4,110.3**	**4,123.6**	**(0.3%)**
Consumer Fixed	858.5	862.6	(0.5%)	3,455.5	3,442.9	0.4%
Subscription	839.0	844.8	(0.7%)	3,377.3	3,383.1	(0.2%)
Other	19.5	17.8	9.6%	78.2	59.8	30.8%
B2B Fixed	160.5	195.0	(17.7%)	654.8	680.7	(3.8%)
Other	**120.7**	**113.8**	**6.1%**	**460.9**	**431.9**	**6.7%**
Transaction Adjusted Revenue	**2,720.2**	**2,739.3**	**(0.7%)**	**10,383.3**	**10,508.8**	**(1.2%)**
Transaction adjustments(i)	(8.7)	(6.2)	40.3%	(30.1)	(38.7)	(22.2%)
Total Revenue	2,711.5	2,733.1	(0.8%)	10,353.2	10,470.1	(1.1%)
Transaction Adjusted EBITDA						
Transaction Adjusted EBITDA	**917.3**	**935.7**	**(2.0%)**	**3,673.0**	**3,604.0**	**1.9%**
Transaction Adjusted EBITDA as a % of Transaction Adjusted Revenue	33.7%	34.2%		35.4%	34.3%	
Opex CTC	(30.2)	(13.8)		(59.2)	(24.4)	
Transaction Adjusted EBITDA including CTC	887.1	921.9	(3.8%)	3,613.8	3,579.6	1.0%
Transaction Adjusted EBITDA less Capex						
Transaction Adjusted EBITDA	917.3	935.7	(2.0%)	3,673.0	3,604.0	1.9%
Property & equipment additions	563.2	468.9	20.1%	1,977.2	1,776.3	11.3%
ROU asset additions(ii)	36.5	16.6	119.9%	404.1	124.2	225.4%
Transaction Adjusted EBITDA less Capex	**317.6**	**450.2**	**(29.5%)**	**1,291.7**	**1,703.5**	**(24.2%)**
Transaction Adjusted EBITDA less Capex as a % of Transaction Adjusted Revenue	11.7%	16.4%		12.4%	16.2%	
Opex and Capex CTC	(82.4)	(13.8)		(133.6)	(24.4)	
Transaction Adjusted EBITDA less Capex including CTC	235.2	436.4	(46.1%)	1,158.1	1,679.1	(31.0%)
Spectrum license additions	—	83.5		448.0	83.5	
Adjusted Free Cash Flow (FCF)						
Adjusted FCF(iii)	111.3					

(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 7-month period since the formation of Virgin Media O2 was £338.4 million

The following table provides a reconciliation of net profit (loss) to Transaction Adjusted EBITDA for the three months ended 31 December 2021 (actual) and 2020 (pro forma) and pro forma results for the year ended 31 December 2021 and 2020:

	Actual	Pro forma				
	Three months ended 31 December	Three months ended 31 December	Increase / (Decrease)	Year ended 31 December		Increase / (Decrease)
	2021	2020		2021	2020	
	in £ millions, except % amounts					
Net Profit (Loss)	(103.5)	(252.2)		18.3	(866.6)	
Income Tax Expense (Benefit)	(63.4)	(79.8)		(237.9)	(232.8)	
Other Expense (Income), net	(0.8)	—		(1.9)	—	
Share of Losses (profit) of Investments Accounted for by the Equity Method	—	(0.2)		(0.2)	(1.1)	
Finance Income	(100.9)	(329.7)		(700.3)	(1,094.0)	
Finance Costs	254.0	733.0		1,005.4	2,223.0	
Operating Income	(14.6)	71.1		83.4	28.5	
Depreciation and Amortization	893.3	848.4		3,507.5	3,592.3	
Share-based Compensation Expense	8.2	16.9		41.3	44.1	
Restructuring and other operating	20.6	0.4		46.8	15.8	
Cost to Capture	30.2	13.8		59.2	24.4	
Adjusted EBITDA	937.7	950.6	(1.4%)	3,738.2	3,705.1	0.9%
Transaction Adjustments[iv]	(20.4)	(14.9)		(65.2)	(101.1)	
Transaction Adjusted EBITDA	**917.3**	**935.7**	**(2.0%)**	**3,673.0**	**3,604.0**	**1.9%**

The following table provides a reconciliation of our net cash provided by operating activities to Adjusted Free Cash Flow for the three months and seven months ended 31 December 2021:

	Three months ended 31 December 2021	Seven months ended 31 December 2021
	in £ millions	
Net cash provided by operating activities	862.3	1,818.6
Expenses financed by an intermediary	254.3	882.6
Capital expenditures, net	(386.5)	(748.0)
Principal payments on amounts funded by vendors and intermediaries	(600.8)	(1,504.5)
Principal payments on certain finance leases	(18.0)	(110.3)
Adjusted FCF	111.3	338.4

[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:

(a) Deferred commissions and install costs write-off of £29.1 million and £21.1 million for the three months ended 31 December 2021 and 2020 and £95.3 million and £139.8 million for the year ended 31 December 2021 and 2020, respectively

(b) Deferred revenue write-off of £8.7 million and £6.2 million for the three months ended 31 December 2021 and 2020 and £30.1 million and £38.7 million for the year ended 31 December 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:

	31 December 2021			30 September 2021
	Borrowing currency		£ equivalent	
			in millions	
Senior and Senior Secured Credit Facilities:				
Term Loan P (LIBOR + 2.75%) due 2026	£	376.0	376.0	376.0
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	2,438.1	2,451.3
Term Loan O (EURIBOR + 2.50%) due 2029	€	750.0	630.9	644.6
Term Loan Q (LIBOR + 3.25%) due 2029	$	1,300.0	960.5	965.7
Term Loan R (LIBOR + 3.25%) due 2029	€	750.0	630.9	644.6
£1,378 million (equivalent) RCF (LIBOR + 2.75%) due 2026	£	—	—	—
VM Financing Facilities (GBP equivalent)	£	17.8	17.8	11.2
Total Senior and Senior Secured Credit Facilities			5,954.2	5,993.4
Senior Secured Notes:				
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	1,052.8	1,058.5
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	676.0	679.7
4.125% GBP Senior Secured Notes due 2030	£	480.0	480.0	480.0
3.25% EUR Senior Secured Notes due 2031	€	950.0	799.2	816.6
4.25% USD Senior Secured Notes due 2031	$	1,350.0	997.4	1,002.8
4.75% USD Senior Secured Notes due 2031	$	1,400.0	1,034.4	1,040.0
4.5% GBP Senior Secured Notes due 2031	£	675.0	675.0	675.0
Total Senior Secured Notes			7,964.8	8,002.6
Senior Notes:				
5.00% USD Senior Notes due 2030	$	925.0	683.4	687.1
3.75% EUR Senior Notes due 2030	€	500.0	420.6	429.8
Total Senior Notes			1,104.0	1,116.9
Vendor financing			2,104.7	2,285.9
Other debt			206.1	202.5
Lease obligations			927.2	968.9
Total third-party debt and lease obligations			18,261.0	18,570.2
Less: unamortised premiums, discounts and deferred financing costs, fair value adjustments, net			(67.0)	(71.4)
Total carrying amount of third-party debt and lease obligations			18,328.0	18,641.6
Less: cash and cash equivalents			348.9	551.2
Net carrying amount of third-party debt and lease obligations			17,979.1	18,090.4
Exchange rate (€ to £)			1.1887	1.1634
Exchange rate ($ to £)			1.3535	1.3462

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 31 December 2021. These amounts are presented for illustrative purposes only and will likely differ from the actual cash payments or receipts in future periods.

	31 December 2021	30 September 2021
	in £ millions	
Total Third-party Debt and Lease Obligations (£ equivalent)	**18,261.0**	**18,570.2**
Vendor Financing	(1,968.8)	(2,153.5)
Other Debt	(206.1)	(202.5)
Credit Facility Excluded Amount	(1,016.0)	(952.8)
Lease Obligations	(927.2)	(968.9)
Projected Principal-related Cash Payments (Receipts) Associated With Our Cross-currency Derivative Instruments	227.5	131.1
Total Covenant Amount of Third-party Gross Debt	**14,370.4**	**14,423.6**
Cash and Cash Equivalents	(47.3)	(37.2)
Total Covenant Amount of Third-party Net Debt	**14,323.1**	**14,386.4**

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:		**Virgin Media O2 Corporate Communications:**	
Vani Bassi	+44 333 000 2912	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 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 over 85 million retail and wholesale 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. Liberty Global, through its global investment arm Liberty Global Ventures, has a portfolio of more than 75 companies and funds across content, technology and infrastructure, including strategic stakes in companies like ITV, Univision, Plume, Lionsgate and the Formula E racing series.

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 (**Q4**) ended 31 December 2021, as well as pro forma results for the full year (**FY**) ended 31 December 2021 and the comparative results for the prior year Q4 and FY 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 Q4 2021 compared to the pro forma results for Q4 2020. The financial and operating information contained herein is preliminary and subject to change.

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 EBITDA: Adjusted EBITDA is the primary measure used by our chief operating decision maker to evaluate operating performance and is also a key factor that is used by our internal decision makers to (i) determine how to allocate resources and (ii) evaluate the effectiveness of our management for purposes of annual and other incentive compensation plans. As we use the term, Adjusted EBITDA is defined as profit (loss) from continuing operations before net income tax benefit (expense), other non-operating income or expenses, share of profit (loss) of investments accounted for by the equity method, net finance costs, depreciation and amortization, share-based compensation, impairment, restructuring and other operating items and CTC opex costs. Our internal decision makers believe Adjusted EBITDA is a meaningful measure because it represents a transparent view of our recurring operating performance that is unaffected by our capital structure and allows management to (1) readily view operating trends, (2) perform analytical comparisons and benchmarking and (3) identify strategies to improve operating performance. We believe our consolidated Adjusted EBITDA measure, which is a non-GAAP measure, is useful to investors because it is one of the bases for comparing our performance with the performance of other companies in the same or similar industries, although our measure may not be directly comparable to similar measures used by other companies.

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 Transaction Adjusted revenue for the applicable period.

Transaction Adjusted EBITDA less capex: This is Transaction Adjusted EBITDA less P&E additions and less ROU asset additions. Adjusted EBITDA less capex is a meaningful measure because it provides (i) a transparent view of Adjusted EBITDA that remains after our capital spend, which we believe is important to take into account when evaluating our overall performance and (ii) a comparable view of our performance relative to other telecommunications companies. Our Adjusted EBITDA less capex measure may differ from how other companies define and apply their definition of similar measures. Adjusted EBITDA less capex should be viewed as a measure of operating performance that is a supplement to, and not a substitute for operating income, net earnings or loss or other IFRS measures of income. For limitations of this metric see the definition of Transaction Adjusted EBITDA.

YoY: Year-over-year.