



Virgin Media O2¹ publishes Q2 results to 30 June 2022

Virgin Media O2 delivers continued operating momentum with improved growth in transaction adjusted revenue and EBITDA

London, UK - 28 July 2022

- Improved customer growth in Q2 with 8,000 fixed net adds and 13,000 mobile contract net adds
- Accelerated investments: added 114,000 Lightning premises; 5G services live in over 600 towns/cities
- Positive development in revenue and increased profitability underpinned by price rises, transaction adjusted EBITDA up 4% YoY to £972m in Q2
- Launched Virgin Media O2's new ESG strategy, the Better Connections Plan, focused on carbon reduction, circular economy and community engagement, supported by our Green Bond Framework

Lutz Schüler, CEO of Virgin Media O2, said:

"It's one year on since Virgin Media O2 was born and, while we've got much more to do, we came out of the gate running and achieved a huge amount in our first year as a joint business. Our mission has been to upgrade the UK and be the biggest challenger in the market, and we've continued to do just that.

"In Q2, we've grown our fixed and mobile customer base once again, as fast and reliable connectivity remains a top priority for consumers and businesses. We've seen an improved revenue performance alongside our best quarterly profitability growth since we merged, putting us in solid shape to meet our full year guidance. The launch of our Virgin Media O2 sustainability strategy was also a major highlight in the quarter, and we will back up our bold commitments on carbon, circular economy and communities with real action.

"As we navigate a tougher economic environment and provide our customers with great value and targeted support, we have clarity and focus on three growth waves that will drive sustained commercial momentum. Firstly, our integration is firmly on track, our synergies are being realised and we're innovating at pace with convergence at our core; secondly, we're moving forward our digitalisation plans to improve our existing operations and build future foundations; and thirdly we're investing heavily to expand and upgrade our fibre and 5G networks to bring top-class connectivity to more of the country.

"While I'm proud of what we've achieved in just one year, nobody in the business is complacent, and we remain focused to deliver even more."

Subscriber growth driven by demand for connectivity

The **fixed customer base returned to positive growth** with 8,000 net additions in Q2, taking the total base to 5.8 million. This performance was driven by continued growth in Project Lightning and strong trading following the Q1 price rise. Continued demand for fast, high-quality connectivity drove Q2 broadband net adds of 16,000, and average speed across the company's broadband base increased 27% YoY to 247 Mbps, which is almost 5x higher than the national average.

The **contract mobile base increased by 13,000** in Q2, whilst total mobile connections increased by 805,000 due to strong growth in IoT, wholesale and contract connections. O2's monthly contract churn remains stable at sector-low levels of just 0.8%.



Virgin Media O2 Business continues to enhance its product offering across all areas - from small business to the public sector. The launch of a new “Get More” proposition enables new and existing medium business customers combining Virgin Media Business broadband with an O2 Business mobile product to put 10% of the cost of their plan towards new tech such as smartphones, tablets and desktops. The company also launched 1Gbps speeds for small businesses - the fastest widely available business broadband in the UK - and continued to build momentum in the public sector. This included switching on the UK’s first 5G-connected hospital with the South London and Maudsley NHS Foundation Trust. The private 5G network will provide dedicated connectivity for mission-critical digital health use cases for both clinicians and patients and is part of a wider ambition to rollout services across the NHS estate over the next three to five years.

Accelerating investment in the UK’s digital infrastructure

Project Lightning network expansion build increased to 114,000 in Q2, up from 101,000 premises added in Q1 2022 and 89,000 premises added in Q2 2021. The cumulative Lightning footprint is now 2.9 million and the company is on-track to add over 500,000 Lightning premises in 2022 - further bolstering Virgin Media O2’s gigabit leadership in the UK with speeds of 1.1Gbps offered across its entire footprint of 15.9 million premises.

The **FTTP upgrade** of the existing network is starting to ramp up following completion of trials in Q1. The goal is to roll out full fibre across the fixed network at a cost of £100 per home with completion in 2028.

Furthermore, **5G services** are now available in more than 600 towns and cities and rollout remains on-track to hit 50% population coverage of 5G services by 2023. Boosting 4G also remains a key focus for investment and 4G capacity was upgraded in 154,000 postcodes during Q2.

The launch of our new ESG strategy alongside targeted support amid the rising cost of living

In the current economic climate with a rising **cost of living**, the importance and prioritisation of connectivity services remains steadfast. The company has already taken proactive steps in providing targeted support while continuing to innovate, invest and push ahead with bold customer-centric decisions like not reintroducing European roaming charges, differentiating itself from all other major UK mobile operators. Targeted measures aimed at those hardest hit in the current climate include being the first provider to introduce a dedicated broadband social tariff called Essential Broadband, and pioneering the UK’s first ever National DataBank providing free mobile connectivity to those in need. The company is also committed to providing tailored support to customers with additional needs.

In May, Virgin Media O2 launched its first sustainability strategy as a joint business, **the Better Connections Plan**, outlining its bold commitments to cut carbon, champion the circular economy - such as recycling devices and donating unwanted smartphones and tablets - and support communities as it upgrades the UK.

The business has an ambitious commitment to achieve net zero carbon across its operations, products and supply chain by the end of 2040, 10 years ahead of the Paris Agreement and the UK’s target of reaching net zero by 2050. It is also one of the first ‘pathfinder’ companies working towards the Carbon Trust’s new Route to Net Zero Standard, and joined The Climate Pledge to align its environmental commitments with the Science Based Targets initiatives (STBi) new Net Zero Standard. The Better Connections Plan intends to enable 10 million circular economy actions for customers to take by 2025, which will help tackle e-waste. In addition, the plan will help eradicate data poverty through free and affordable connectivity, as well as improving digital skills and confidence.

Return to revenue growth and improved profitability driven by price rises and synergies

Revenue¹: Q2 transaction adjusted revenue of £2,554.5 million increased 0.2% YoY supported by the benefit of the fixed and mobile price rises. Mobile revenue was up 2.2% YoY to £1,427.4 million, with improvements in both handset and service and other. Fixed revenue decreased by 3.0% YoY to £1,005.8 million primarily driven by B2B where there was a high level of installation revenue within Wholesale in Q2 2021. Other revenue increased 4.9% to £121.3 million.

Adjusted EBITDA¹: Q2 transaction adjusted EBITDA increased 4.0% YoY to £972.0 million, excluding £14.8 million of opex CTC - representing the best full quarter growth rate since Virgin Media O2 was formed. This was supported by the flow through of price rises, as well as cost efficiencies and the realisation of synergies, but partially offset by increased energy costs. The transaction adjusted EBITDA margin improved to 38.1% in Q2 2022 compared to 36.7% in Q2 2021.

Adjusted EBITDA less Capex^{1,2}: Transaction adjusted EBITDA less capex increased 153.4% YoY to £458.4 million in Q2, before opex and capex CTC of £86.3 million. The increase was primarily attributable to an elevated level of ROU asset additions in Q2 2021, arising from a non-recurring £289.9 million impact following the implementation of a new agreement with Cornerstone Telecommunications Infrastructure Limited.

Free Cash Flow: Adjusted free cash flow was £490.7 million in Q2. Virgin Media O2 made a cash distribution of £250m to its shareholders during Q2.

2022 guidance reaffirmed: 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 30 June 2022, 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 7.0 years.

In Q2 Virgin Media O2 launched the Better Connections Plan, this was committed in, and supportive of the VMED O2 Green Bond Framework issued in June 2021. So far 72% of the Green Bonds comprising the \$1,400 million 4.75% Senior Secured Notes due 2031 and £675 million 4.5% Senior Secured Notes due 2031 have been allocated. Projects with energy efficiency benefits make up the large majority of the eligible spend.

At 30 June 2022, 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 3.15x and 3.46x, 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 4.56x at 30 June 2022.

At 30 June 2022, the company had maximum undrawn commitments of £1,378 million equivalent. When compliance reporting requirements have been completed and assuming no change from 30 June 2022 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 debt test.

Operating Statistics Summary⁽ⁱ⁾

	Three months ended 30 June	
	2022 Actual	2021 Pro forma
Footprint		
Homes Passed	15,863,000	15,476,400
Fixed-Line Customer Relationships		
Fixed-Line Customer Relationships	5,767,700	5,677,100
O/w Broadband Connections	5,612,000	5,494,100
Fixed-Line Customer Relationship net additions	7,500	22,200
O/w Broadband net additions	16,200	35,700
Q2 Monthly Transaction Adjusted ARPU per Fixed-Line Customer Relationship	£ 49.00	£ 50.06
Mobile		
Retail Connections	33,095,400	31,358,100
Mobile	24,096,000	24,063,800
Contract	15,961,900	15,701,300
Prepaid	8,134,100	8,362,500
IoT	8,999,400	7,294,300
Wholesale Connections	10,431,000	9,594,400
Total Mobile Connections	43,526,400	40,952,500
Retail net additions	500,400	740,200
Mobile net additions	85,000	228,200
Contract net additions	13,300	64,800
Prepaid net additions	71,700	163,400
IoT net additions	415,400	512,000
Wholesale net additions	304,500	244,000
Total Mobile net additions	804,900	984,200

⁽ⁱ⁾ Operating statistics presented for 30 June 2021 show period end actuals for homes passed, customer relationships and connections, while net additions (losses) and ARPU are presented on a pro forma basis for the three-month period.

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 and six months ended 30 June 2022 (actual) and 2021 (pro forma):

	Actual	Pro forma	Increase/ (Decrease)	Actual	Pro forma	Increase/ (Decrease)
	Three months ended	Three months ended		Six months ended	Six months ended	
	30 June 2022	30 June 2021		30 June 2022	30 June 2021	
in £ millions, except % amounts						
Transaction Adjusted Revenue						
Mobile	1,427.4	1,396.3	2.2%	2,809.1	2,766.0	1.6%
Handset	360.8	352.4	2.4%	718.0	692.9	3.6%
Fixed	1,005.8	1,037.2	(3.0%)	2,012.7	2,067.1	(2.6%)
Consumer Fixed	865.0	870.3	(0.6%)	1,719.9	1,728.3	(0.5%)
Subscription	847.1	850.8	(0.4%)	1,683.6	1,691.2	(0.4%)
Other	17.9	19.5	(8.2%)	36.3	37.1	(2.2%)
B2B Fixed	140.8	166.9	(15.6%)	292.8	338.8	(13.6%)
Other	121.3	115.6	4.9%	240.4	226.3	6.2%
Transaction Adjusted Revenue	2,554.5	2,549.1	0.2%	5,062.2	5,059.4	0.1%
Transaction adjustments ⁽ⁱⁱ⁾	(6.0)	(6.5)		(13.6)	(11.7)	
Total Revenue	2,548.5	2,542.6	0.2%	5,048.6	5,047.7	—%
Transaction Adjusted EBITDA						
Transaction Adjusted EBITDA	972.0	934.5	4.0%	1,903.7	1,843.0	3.3%
Transaction Adjusted EBITDA as a % of Transaction Adjusted Revenue	38.1%	36.7%		37.6%	36.4%	
Opex CTC	(14.8)	(11.4)		(25.2)	(18.0)	
Transaction Adjusted EBITDA including CTC	957.2	923.1	3.7%	1,878.5	1,825.0	2.9%
Transaction Adjusted EBITDA less Capex						
Transaction Adjusted EBITDA	972.0	934.5	4.0%	1,903.7	1,843.0	3.3%
Property & equipment additions	491.7	451.8	8.8%	964.7	913.9	5.6%
ROU asset additions ⁽ⁱⁱⁱ⁾	21.9	301.8	(92.7%)	53.6	340.4	(84.3%)
Transaction Adjusted EBITDA less Capex	458.4	180.9	153.4%	885.4	588.7	50.4%
Transaction Adjusted EBITDA less Capex as a % of Transaction Adjusted Revenue	17.9%	7.1%		17.5%	11.6%	
Opex and Capex CTC	(86.3)	(23.0)		(130.3)	(31.1)	
Transaction Adjusted EBITDA less Capex including CTC	372.1	157.9	135.7%	755.1	557.6	35.4%
Spectrum license additions	—	—		—	448.0	
Adjusted Free Cash Flow (FCF)						
Adjusted FCF	490.7			171.5		

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

⁽ⁱⁱⁱ⁾ ROU asset additions include £289.9 million in Q2 2021 and £309.6 million in H1 2021 relating to the renewal of the Cornerstone agreement in January 2021

The following table provides a reconciliation of net profit to Transaction Adjusted EBITDA for the three and six months ended 30th June 2022 (actual) and 2021 (pro forma):

	Actual	Pro forma		Actual	Pro forma	
	Three months ended	Three months ended		Six months ended	Six months ended	
	30 June	30 June	Increase / (Decrease)	30 June	30 June	Increase / (Decrease)
	2022	2021		2022	2021	
in £ millions, except % amounts						
Net Profit	78.1	18.1		170.0	105.3	
Income Tax Expense	10.5	(208.2)		28.7	(190.4)	
Other Expense (Income), net	(0.6)	(1.0)		0.5	(1.0)	
Share of Losses of Investments Accounted for by the Equity Method	0.1	(0.1)		(0.6)	(0.1)	
Finance Income	(924.2)	(3.1)		(1,423.6)	(239.6)	
Finance Costs	923.8	218.8		1,359.6	368.6	
Operating Income	87.7	24.5		134.6	42.8	
Depreciation and Amortization	865.6	877.0		1,739.3	1,761.7	
Share-based Compensation Expense	6.6	14.0		14.3	21.2	
Restructuring and other operating	5.7	20.3		12.0	20.2	
Cost to Capture	14.8	11.4		25.2	18.0	
Adjusted EBITDA	980.4	947.2	3.5%	1,925.4	1,863.9	3.3%
Transaction Adjustments ⁽ⁱⁱ⁾	(8.4)	(12.7)		(21.7)	(20.9)	
Transaction Adjusted EBITDA	972.0	934.5	4.0%	1,903.7	1,843.0	3.3%

The following table provides a reconciliation of our net cash provided by operating activities to Adjusted Free Cash Flow for the three and six months ended 30 June 2022:

	Three months ended	Six months ended
	30 June	30 June
	2022	2022
in £ millions		
Net cash provided by operating activities	894.0	1,342.3
Operating-related vendor financing additions	614.1	1,055.2
Capital expenditures, net	(410.4)	(767.3)
Principal payments on vendor financing	(551.2)	(1,334.5)
Principal payments on certain finance leases	(55.8)	(124.2)
Adjusted FCF	490.7	171.5

⁽ⁱⁱ⁾ 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 £14.4 million and £19.2 million for the three months ended 30 June 2022 and 2021 and £35.3 million and £32.6 million for the six months ended 30 June 2022 and 2021, respectively

(b) Deferred revenue write-off of £6.0 million and £6.5 million for the three months ended 30 June 2022 and 2021 and £13.6 million and £11.7 million for the six months ended 30 June 2022 and 2021, 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 June 2022		31 March 2022	
	Borrowing currency	£ equivalent in millions		
Senior and Senior Secured Credit Facilities:				
Term Loan P (SONIA ⁽¹⁾ + 2.75%) due 2026	£	376.0	376.0	376.0
Term Loan L (SONIA ⁽¹⁾ + 3.25%) due 2027	£	400.0	400.0	400.0
Term Loan M (SONIA ⁽¹⁾ + 3.25%) due 2027	£	500.0	500.0	500.0
Term Loan N (LIBOR + 2.50%) due 2028	\$	3,300.0	2,709.9	2,511.7
Term Loan O (EURIBOR + 2.50%) due 2029	€	750.0	645.6	632.6
Term Loan Q (LIBOR + 3.25%) due 2029	\$	1,300.0	1,067.5	989.5
Term Loan R (EURIBOR + 3.25%) due 2029	€	750.0	645.6	632.6
£1,378 million (equivalent) RCF (SONIA ⁽¹⁾ + 2.75%) due 2026	£	—	—	—
VM Financing Facilities (GBP equivalent)	£	22.7	22.7	13.7
Total Senior and Senior Secured Credit Facilities			6,367.3	6,056.1
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	1,170.2	1,084.6
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	751.4	696.4
4.125% GBP Senior Secured Notes due 2030	£	480.0	480.0	480.0
3.25% EUR Senior Secured Notes due 2031	€	950.0	817.8	801.3
4.25% USD Senior Secured Notes due 2031	\$	1,350.0	1,108.6	1,027.5
4.75% USD Senior Secured Notes due 2031	\$	1,400.0	1,149.7	1,065.6
4.5% GBP Senior Secured Notes due 2031	£	675.0	675.0	675.0
Total Senior Secured Notes			8,402.7	8,080.4
Senior Notes:				
5.00% USD Senior Notes due 2030	\$	925.0	759.6	704.1
3.75% EUR Senior Notes due 2030	€	500.0	430.4	421.7
Total Senior Notes			1,190.0	1,125.8
Vendor financing			2,278.1	1,973.0
Share of CTIL ⁽²⁾ debt			205.0	172.5
Other debt			211.3	220.6
Lease obligations			861.4	885.0
Total third-party debt and lease obligations			19,515.8	18,513.4
Less: unamortised premiums, discounts and deferred financing costs, fair value adjustments, net			(65.0)	(64.0)
Total carrying amount of third-party debt and lease obligations			19,580.8	18,577.4
Less: cash and cash equivalents			501.7	222.2
Net carrying amount of third-party debt and lease obligations			19,079.1	18,355.2
Exchange rate (€ to £)			1.1617	1.1856
Exchange rate (\$ to £)			1.2178	1.3139

⁽¹⁾ SONIA (Sterling Overnight Index Average) plus a credit adjustment spread

⁽²⁾ CTIL: Cornerstone Telecommunications Infrastructure Limited

Covenant Debt Information¹

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 June 2022. These amounts are presented for illustrative purposes only and will likely differ from the actual cash payments or receipts in future periods.

	30 June 2022	31 March 2022
	in £ millions	
Total Third-party Debt and Lease Obligations (£ equivalent)	19,515.8	18,513.4
Vendor Financing	(2,144.1)	(1,841.5)
Other Debt	(211.3)	(220.6)
CTIL Debt	(205.0)	(172.5)
Credit Facility Excluded Amount	(1,035.5)	(1,010.1)
Lease Obligations	(861.4)	(885.0)
Projected Principal-related Cash Payments (Receipts) Associated With Our Cross-currency Derivative Instruments	(703.4)	(15.8)
Total Covenant Amount of Third-party Gross Debt	14,355.1	14,367.9
Cash and Cash Equivalents	(7.1)	(39.8)
Total Covenant Amount of Third-party Net Debt	14,348.0	14,328.1



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:

Matthew Hickman +44 754 876 8337
Thomas McLeod +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 is a world leader in converged broadband, video and mobile communications services. It delivers next-generation products through advanced fiber and 5G networks that currently provides over 85 million connections 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 in Switzerland, Virgin Media in Ireland and UPC in Slovakia. 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, Televisa 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 369 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 (Q2) ended 30 June 2022 and the comparative results for the prior year Q2 period 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 Q2 2022 compared to the pro forma results for Q2 2021. The financial and operating information contained herein is preliminary and subject to change.

2. Effective with the release of our third quarter 2021 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.

3. Effective with the release of our second quarter 2022 earnings, in addition to Transaction Adjusted EBITDA we have introduced the supplementary financial measure Transaction Adjusted EBITDAaL. This new metric is presented below:

	Actual		Pro forma		Actual		Pro forma	
	Three months ended		Three months ended		Six months ended		Six months ended	
	30 June		30 June	Increase/ (decrease)	30 June		30 June	Increase/ (decrease)
	2022		2021		2022		2021	
in £ millions, except % amounts								
Transaction Adjusted EBITDAaL								
Transaction Adjusted EBITDA	972.0		934.5	4.0%	1,903.7		1,843.0	3.3%
Lease Depreciation and Interest Costs	(59.1)		(60.5)		(119.2)		(116.9)	
Transaction Adjusted EBITDAaL	<u>912.9</u>		<u>874.0</u>	<u>4.5%</u>	<u>1,784.5</u>		<u>1,726.1</u>	<u>3.4%</u>

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, IFRS 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 postpaid 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.

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.

rNPS: Relationship Net Promoter Score.

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 after leases (Transaction Adjusted EBITDAaL): We define Transaction Adjusted EBITDAaL as Transaction Adjusted EBITDA as further adjusted to include lease related depreciation and interest expense. Our internal decision makers believe Adjusted EBITDAaL is a meaningful measure because it represents a transparent view of our recurring operating performance that includes recurring lease expenses necessary to operate our business. We believe Adjusted EBITDAaL, 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 public companies. Adjusted EBITDAaL should be viewed as a measure of operating performance that is a supplement to, and not a substitute for, IFRS measures of income included in our condensed consolidated statements of operations.

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.