Virgin Media O2[1] publishes Q4 and full year results to 31 December 2023

Virgin Media O2 increases customers, fibre and 5G reach as strong integration execution drives Adjusted EBITDA growth

London, UK - 16 February 2024

- **2023 guidance:** Transaction Adjusted Revenue meets stable guidance at (0.2)%, Transaction Adjusted EBITDA at low end of mid-single-digit guidance with growth of 3.7%, both excluding nexfibre construction
- **Commercial momentum:** 2023 customer growth across fixed +31,300, broadband +63,800, and mobile contract +46,600, supported by positive net additions for each in Q4
- **Network development:** Fixed network serviceable footprint reaches 17.0 million premises, a record 833,100 increase in 2023; 5G UK outdoor population coverage target of 50% achieved
- **Synergies delivered ahead of plan:** Realised approximately two thirds of annualised £540 million synergies target in 2023
- **2024 guidance -** The company expects:
    - Stable to declining revenue and a low to mid-single-digit decline in Adjusted EBITDA, both excluding the impact of nexfibre construction
    - P&E additions of £2.0 to £2.2 billion, with opex and capex costs to capture (CTC) of less than £150 million
    - Cash distributions to shareholders of around £850 million supported by proceeds of the minority sale of CTIL in Q3 2023 and around £500 million of Adjusted Free Cash Flow. Targeting being in line with the 4x to 5x leverage range in the medium term

Lutz Schüler, CEO of Virgin Media O2, said:

“We ended the year with stable revenues in line with our revised guidance at Q3, and achieved the low end of our mid-single-digit Transaction Adjusted EBITDA growth guidance through accelerated synergy execution which offset the impacts of consumer spend optimisation.

“Operationally, we invested another £2 billion in our networks and services, with 2023 being the fastest year of fibre rollout as our fibre footprint reached over 4 million premises. In aggregate, our fully gigabit serviceable footprint now reaches over half of all UK homes, and our 5G network covers half the UK population. We also continued trading momentum with mobile and fixed customer growth, supported by sustained customer-first initiatives like inclusive EU roaming and our O2 Priority loyalty scheme.

“Looking ahead, the 2024 outlook will be impacted by incremental investment in key initiatives to drive future growth, including increased marketing across our rapidly expanding fixed footprint, new commercial initiatives and wider digital and IT efficiency programmes. We remain focused on delivering against our core strategy and these key investments will help us to lay down strong foundations for future success.”

Continued subscriber growth across fixed and mobile

The **fixed customer base grew** by 31,300 in 2023, with 2,600 net additions in Q4. This was driven by broadband with 63,800 net additions in the full year, including 9,500 in Q4.

Contract **mobile net additions** were 46,600 in 2023, with a 19,000 gain in Q4. The total mobile base grew to 44.9 million in full year 2023, with 211,200 net additions supported by growth in contract and IoT, partially offset by wholesale and prepaid.

Virgin Media O2's leading converged consumer proposition, **Volt,** ended the year with 1.9 million customers taking a bundle. Volt customers show increased loyalty and satisfaction supported by benefits, including a broadband speed boost and double mobile data.

Upgrading the UK's digital infrastructure

Virgin Media O2 **rolled out fibre to new areas faster than ever before** in 2023, delivering 833,100 additional serviceable premises, with the majority of these premises forming part of the nexfibre FTTH network. The company's gigabit serviceable footprint reached the milestone of 17.0 million homes at the end of 2023, while the combined FTTH footprint stood at over 4 million homes, with fibre rollout expected to further accelerate in 2024. In mobile, the target of **50% 5G outdoor UK population coverage** was reached in Q4.

Acceleration of synergy delivery

2023 absolute synergy realisation was approximately two thirds of the £540 million run-rate, significantly ahead of target timelines. Synergies contribution to Adjusted EBITDA growth is expected to slow in 2024, with incremental investment in opex and capex CTC set to support additional Adjusted EBITDA synergies in outer years - notably in commercial propositions.

Targeted support to customers and communities

Virgin Media O2 has **increased targeted support to customers and communities in 2023**, including continued action in Q4. All O2-owned stores became National Digital Inclusion Hubs offering free O2 data, texts and calls to those in need, while also working with local authority partners to increase cost-of-living support information on initiatives such as Virgin Media's Essential Broadband tariffs.

2024 guidance

The company expects:

- Stable to declining revenue and a low to mid-single-digit decline in Adjusted EBITDA, both excluding the impact of nexfibre construction (which is expected to contribute around 2 percentage points of total revenue growth)
- P&E additions of £2.0 to £2.2 billion, with opex and capex CTC of less than £150 million
- Cash distributions to shareholders of around £850 million supported by proceeds of the minority sale of CTIL in Q3 2023 and around £500 million of Adjusted Free Cash Flow. Targeting being in line with the 4x to 5x leverage range in the medium term

2024 Adjusted EBITDA impacted by investment to support medium term growth drivers:

- As nexfibre fibre rollout accelerates at pace in 2024, Virgin Media O2 will scale sales to support penetration in nexfibre areas
- Marketing initiatives to support product launches in the year
- Digital and IT efficiency programmes to improve customer experience and drive efficiency savings

Profitability growth supported by synergies

Revenue[1]: 2023 Transaction Adjusted Revenue increased 5.2% year-on-year to £10,923.2 million, (0.2)% excluding the year-on-year impact of nexfibre construction. Total mobile revenue increased by 0.6% to £5,949.3 million as consistent service revenue growth was partially offset by low-margin handset revenue performance which weakened through the year. Consumer fixed revenue decreased 2.3% to £3,325.2 million due to spend optimisation on mid-tier TV and home phone as household budgets were squeezed by the increased cost-of-living, partially offset by a growing price rise benefit through the year. B2B fixed revenue decreased 2.4% to £554.0 million due to pricing headwinds. Other revenue increased 120.0% to £1,094.7 million, driven by nexfibre construction revenue and approximately £38 million of revenue from a change in terms of a related-party contract in Q3.

Q4 Transaction Adjusted Revenue increased 3.7% year-on-year to £2,832.8 million. Total mobile revenue decreased by 5.4% to £1,521.6 million, with growth in service revenue more than offset by a 20.0% decrease in handset revenue. Consumer fixed revenue was flat year-on-year at £831.8 million, supported by the flow through of price rise benefit offsetting household spend optimisation. B2B fixed revenue increased 13.1% to £163.7 million driven by a significant level of revenue related to long-term leases of a portion of the fixed network. Other revenue increased 115.6% to £315.7 million driven by increased nexfibre construction revenue.

Adjusted EBITDA[1]: 2023 Transaction Adjusted EBITDA increased 5.0% year-on-year to £4,102.3 million, 3.7% excluding the year-on-year impact of nexfibre construction, before £83.9 million of opex CTC. The key drivers of growth were the realisation of synergies, consumer price rises and cost efficiencies, partially offset by inflationary pressures including energy costs. Additionally, the aforementioned £38 million related-party contract change in Q3 2023 and a one-off release of £30 million in Q3 2022 impacted growth. 2023 Transaction Adjusted EBITDA margin of 37.6% was unchanged from 2022, as the benefit of price rises and cost efficiencies were offset by lower margin nexfibre construction revenue.

Q4 Transaction Adjusted EBITDA increased 7.7% year-on-year to £1,088.8 million, excluding £23.8 million of opex CTC. Growth was supported by long-term leases of a portion of the fixed network, consumer price rises, cost efficiencies, including an approximately £15 million reduction in annual costs for services provided by a related-party, and synergies. Q4 2023 Transaction Adjusted EBITDA margin improved to 38.4% compared to 37.0% in Q4 2022.

Adjusted EBITDA less Capex[1]: 2023 Transaction Adjusted EBITDA less Capex increased 14.2% year-on-year to £1,991.4 million, before opex and capex CTC of £184.7 million. This was driven by the aforementioned increase in Transaction Adjusted EBITDA and a reduction in P&E additions, partially offset by increased ROU asset additions. Across 2023, Virgin Media O2 invested £1,993.4 million in P&E additions supporting its network and services, notable increased investment in the fixed network upgrade to fibre and mobile capacity was offset by fixed network expansion investment primarily being made by nexfibre rather than through Virgin Media O2's Project Lightning.

Q4 Transaction Adjusted EBITDA less Capex increased 39.5% year-on-year to £610.1 million, before opex and capex CTC of £43.8 million. This increase was primarily attributable to Transaction Adjusted EBITDA growth as well as reduced P&E additions.

Adjusted Free Cash Flow: Adjusted FCF was £722.1 million for the year ended 31 December 2023, with an inflow of £764.4 million in Q4.

Cash distributions to shareholders: Cash distributions to shareholders were £2,000.0 million for the year ended 31 December 2023, with a distribution of £675.0 million in Q4.

Strong capital structure to support business growth

At 31 December 2023, the company's fully-swapped third-party debt borrowing cost was 5.2% and the average tenor of third-party debt (excluding vendor financing) was 5.7 years.

At 31 December 2023, and subject to the completion of the corresponding compliance reporting requirements, the ratios of Net Senior Debt and Net Total Debt to Annualised Adjusted EBITDA (last two quarters annualised) were 3.35x and 3.64x, 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 Adjusted EBITDA would have been 4.80x at 31 December 2023.

At 31 December 2023, the company had maximum undrawn commitments equivalent to £1,449 million, consisting of £1,432 million of RCF and £17 million of Term Loan Z, which was raised but not drawn in Q4. When compliance reporting requirements have been completed and assuming no change from 31 December 2023 borrowing levels, it is anticipated that the full borrowing capacity will continue to 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

	Three months ended 31 December		Year ended 31 December	
	2023	2022	2023	2022
Footprint				
Homes Serviceable[(i)]	**16,999,700**	**16,166,600**	**16,999,700**	**16,166,600**
Fixed-Line Customer Relationships				
Fixed-Line Customer Relationships[(ii)]	**5,826,800**	**5,795,500**	**5,826,800**	**5,795,500**
O/w Broadband Connections[(ii)]	5,717,600	5,653,800	5,717,600	5,653,800
Fixed-Line Customer Relationship net additions	**2,600**	**15,500**	**31,300**	**27,200**
O/w Broadband net additions	9,500	22,700	63,800	57,000
Q4 Monthly Transaction Adjusted ARPU per Fixed-Line Customer Relationship	£ 46.81	£ 47.07		
Mobile				
Retail Connections	**35,216,300**	**33,831,400**	**35,216,300**	**33,831,400**
Mobile	23,740,200	24,055,900	23,740,200	24,055,900
Contract	16,122,300	16,087,600	16,122,300	16,087,600
Prepaid	7,617,900	7,968,300	7,617,900	7,968,300
IoT	11,476,100	9,775,500	11,476,100	9,775,500
Wholesale Connections	**9,644,900**	**10,818,600**	**9,644,900**	**10,818,600**
Total Mobile Connections	**44,861,200**	**44,650,000**	**44,861,200**	**44,650,000**
Retail net additions[(iii)]	**150,700**	**323,500**	**1,396,800**	**1,554,600**
Mobile net losses[(iii)]	(329,300)	(130,300)	(303,800)	(9,300)
Contract net additions[(iii)]	19,000	71,100	46,600	141,500
Prepaid net losses	(348,300)	(201,400)	(350,400)	(150,800)
IoT additions	480,000	453,800	1,700,600	1,563,900
Wholesale net additions (losses)[(iii)]	**105,300**	**171,400**	**(1,185,600)**	**852,000**
Total Mobile net additions	**256,000**	**494,900**	**211,200**	**2,406,600**

(i) Excludes Upp premises where integration is underway. Once complete, premises will be transferred to nexfibre and included in Virgin Media O2's homes serviceable footprint.

(ii) Excludes Upp customers.

(iii) Movements in the year ended 31 December 2023 position exclude the impact of a reclassification of 11,900 connections to the Q1 2023 closing base. This increases Wholesale connections and decreases Contract connections, there is no change at a base or net additions Total Mobile Connections level.

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

The preliminary unaudited selected financial results are set forth below:

	Three months ended 31 December		Increase (decrease)	Year ended 31 December		Increase (decrease)
	2023	2022		2023	2022	
	in £ millions, except % amounts					
Transaction Adjusted Revenue						
Mobile	**1,521.6**	**1,608.8**	**(5.4%)**	**5,949.3**	**5,913.7**	**0.6%**
Handset	402.5	503.3	(20.0%)	1,521.1	1,614.6	(5.8%)
Fixed	**995.5**	**976.6**	**1.9%**	**3,879.2**	**3,970.7**	**(2.3%)**
Consumer Fixed	831.8	831.8	—%	3,325.2	3,402.9	(2.3%)
Subscription	817.6	816.9	0.1%	3,266.6	3,333.9	(2.0%)
Other	14.2	14.9	(4.7%)	58.6	69.0	(15.1%)
B2B Fixed	163.7	144.8	13.1%	554.0	567.8	(2.4%)
Other	**315.7**	**146.4**	**115.6%**	**1,094.7**	**497.5**	**120.0%**
Transaction Adjusted Revenue	**2,832.8**	**2,731.8**	**3.7%**	**10,923.2**	**10,381.9**	**5.2%**
Transaction adjustments(i)	(2.1)	(3.6)		(10.5)	(21.9)	
Total Revenue	2,830.7	2,728.2	3.8%	10,912.7	10,360.0	5.3%
Transaction Adjusted EBITDA						
Transaction Adjusted EBITDA	**1,088.8**	**1,010.5**	**7.7%**	**4,102.3**	**3,905.4**	**5.0%**
Transaction Adjusted EBITDA as a % of Transaction Adjusted Revenue	38.4%	37.0%		37.6%	37.6%	
Opex CTC	(23.8)	(33.6)		(83.9)	(74.6)	
Transaction Adjusted EBITDA including CTC	1,065.0	976.9	9.0%	4,018.4	3,830.8	4.9%
Transaction Adjusted EBITDA less Capex						
Transaction Adjusted EBITDA	1,088.8	1,010.5	7.7%	4,102.3	3,905.4	5.0%
Property & equipment additions	445.1	545.2	(18.4%)	1,993.4	2,061.3	(3.3%)
ROU asset additions	33.6	28.1	19.6%	117.5	100.6	16.8%
Transaction Adjusted EBITDA less Capex	**610.1**	**437.2**	**39.5%**	**1,991.4**	**1,743.5**	**14.2%**
Transaction Adjusted EBITDA less Capex as a % of Transaction Adjusted Revenue	21.5%	16.0%		18.2%	16.8%	
Opex and Capex CTC	(43.8)	(113.4)		(184.7)	(320.7)	
Transaction Adjusted EBITDA less Capex including CTC	566.3	323.8	74.9%	1,806.7	1,422.8	27.0%
Adjusted Free Cash Flow (FCF)						
Adjusted FCF	**764.4**	**405.2**		**722.1**	**666.0**	

(i) Revenue transaction adjustments relate to the reversal of the write-off of deferred revenue shown in Footnote (ii)(b) on page 7.

A reconciliation of net profit to Transaction Adjusted EBITDA is set forth below:

	Three months ended 31 December		Increase (decrease)	Year ended 31 December		Increase (decrease)
	2023	2022		2023	2022	
	in £ millions, except % amounts					
Net (loss) profit	(3,348.8)	(421.9)		(3,642.2)	425.2	
Income tax (benefit) expense	(168.9)	(291.1)		(229.8)	7.2	
Other (income) expense, net	(1.1)	3.7		(13.9)	3.6	
Share of results of investments accounted for by the equity method	(0.4)	0.5		(1.6)	(0.7)	
Finance income	(474.2)	(793.9)		(1,399.9)	(4,260.4)	
Finance costs	1,178.5	1,517.6		2,829.5	4,022.0	
Operating (loss) income	(2,814.9)	14.9		(2,457.9)	196.9	
Depreciation and amortisation	745.3	924.8		3,205.2	3,553.9	
Share-based compensation expense	(15.5)	12.4		24.9	43.6	
Goodwill impairment[(i)]	3,107.0	—		3,107.0	—	
Restructuring and other operating	41.5	24.7		132.9	62.6	
Costs to capture	23.8	33.6		83.9	74.6	
Adjusted EBITDA	1,087.2	1,010.4	7.6%	4,096.0	3,931.6	4.2%
Transaction adjustments[(ii)]	1.6	0.1		6.3	(26.2)	
Transaction Adjusted EBITDA	**1,088.8**	**1,010.5**	**7.7%**	**4,102.3**	**3,905.4**	**5.0%**

A reconciliation of our net cash provided by operating activities to Adjusted Free Cash Flow is set forth below:

	Three months ended 31 December		Year ended 31 December	
	2023	2022	2023	2022
	in £ millions			
Net cash provided by operating activities	1,064.7	1,045.9	2,679.1	2,953.6
Operating-related vendor financing additions	779.9	258.8	2,509.9	1,765.8
Capital expenditures, net	(383.0)	(451.0)	(1,436.6)	(1,522.3)
Principal payments on vendor financing	(641.7)	(418.3)	(2,811.2)	(2,333.6)
Principal payments on certain leases	(55.5)	(30.2)	(219.1)	(197.5)
Adjusted FCF	**764.4**	**405.2**	**722.1**	**666.0**

(i) In Q4 2023, we recorded a non-cash goodwill impairment of £3.1 billion primarily related to an increase in the weighted average cost of capital (discount rate) and the impacts of the broader macroeconomic conditions in the UK on estimated future cash flows.

(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 £0.5 million and £3.5 million for the three months ended 31 December 2023 and 2022, respectively, and £4.2 million and £48.1 million for the years ended 31 December 2023 and 2022, respectively.

(b) Deferred revenue write-off of £2.1 million and £3.6 million for the three months ended 31 December 2023 and 2022, respectively, and £10.5 million and £21.9 million for the years ended 31 December 2023 and 2022, respectively.

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

The borrowing currency and pound sterling equivalent of the nominal amounts of VMED O2's consolidated third-party debt, lease obligations and cash and cash equivalents is set forth below:

	31 December 2023				30 September 2023	
	Borrowing currency		£ equivalent			
			in millions			
Senior and Senior Secured Credit Facilities:						
Term Loan L (SONIA[i] + 3.25%) due 2027	£	296.1	£	296.1	£	400.0
Term Loan M (SONIA[i] + 3.25%) due 2027	£	258.7		258.7		500.0
Term Loan N (Term SOFR[ii] + 2.50%) due 2028	$	3,300.0		2,585.6		2,703.7
Term Loan O (EURIBOR + 2.50%) due 2029	€	750.0		650.2		650.0
Term Loan Q (Term SOFR[ii] + 3.25%) due 2029	$	1,300.0		1,018.6		1,065.1
Term Loan R (EURIBOR + 3.25%) due 2029	€	750.0		650.2		650.0
Term Loan X (SONIA[i] + 3.25%[iii]) due 2027	£	1,000.0		1,000.0		1,280.0
Term Loan Y (Term SOFR[ii] + 3.25%[iii]) due 2031	$	1,250.0		979.4		1,024.1
Term Loan Z (EURIBOR + 3.50%[iii]) due 2031	€	700.0		606.8		—
£108 million (equivalent) RCF (SONIA(i) + 2.75%) due 2026	£	—		—		—
£1,324 million (equivalent) RCF (SONIA[i] + 2.75%[iii]) due 2029	£	—		—		—
VM Financing Facilities (GBP equivalent)	£	37.0		37.0		23.1
Total Senior and Senior Secured Credit Facilities				8,082.6		8,296.0
Senior Secured Notes:						
5.00% GBP Senior Secured Notes due 2027	£	457.5		457.5		675.0
5.50% USD Senior Secured Notes due 2029	$	1,425.0		1,116.5		1,167.5
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		716.9		749.7
4.125% GBP Senior Secured Notes due 2030	£	480.0		480.0		480.0
3.25% EUR Senior Secured Notes due 2031	€	950.0		823.6		823.3
4.25% USD Senior Secured Notes due 2031	$	1,350.0		1,057.7		1,106.1
4.75% USD Senior Secured Notes due 2031	$	1,400.0		1,096.9		1,147.0
4.50% GBP Senior Secured Notes due 2031	£	675.0		675.0		675.0
Total Senior Secured Notes				7,999.1		8,398.6
Senior Notes:						
5.00% USD Senior Notes due 2030	$	925.0		724.8		757.9
3.75% EUR Senior Notes due 2030	€	500.0		433.5		433.3
Total Senior Notes				1,158.3		1,191.2
Vendor financing				2,991.2		2,811.1
Share of CTIL debt				188.0		203.0
Other debt				293.7		199.4
Lease obligations				750.8		779.1
Total third-party debt and lease obligations				**21,463.7**		**21,878.4**
Less: unamortised premiums, discounts, deferred financing costs and fair value adjustments, net				(5.7)		(15.9)
Total carrying amount of third-party debt and lease obligations				**21,469.4**		**21,894.3**
Less: cash and cash equivalents				875.6		544.6
Net carrying amount of third-party debt and lease obligations			**£**	**20,593.8**	**£**	**21,349.7**
Exchange rate (€ to £)				1.1535		1.1539
Exchange rate ($ to £)				1.2763		1.2206

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

(ii) Term SOFR (Term Secured Overnight Financing Rate) plus a credit adjustment spread

(iii) Rates are subject to adjustment based upon the achievement or otherwise of certain ESG metrics

Covenant Debt Information[1]

The pound sterling equivalent of the reconciliation from VMED O2's consolidated third-party debt and lease obligations 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 is set forth below. The pound sterling equivalents presented below are based on exchange rates that were in effect as of 31 December 2023 and 30 September 2023. These amounts are presented for illustrative purposes only and will likely differ from the actual cash payments or receipts in future periods.

	31 December 2023	30 September 2023
	in millions	
Total third-party debt and lease obligations (£ equivalent)	**£ 21,463.7**	**£ 21,878.4**
Vendor financing	(2,875.5)	(2,688.4)
Other debt	(293.7)	(199.4)
CTIL debt	(188.0)	(203.0)
Credit Facility excluded amount	(1,110.2)	(1,085.9)
Lease obligations	(750.8)	(779.1)
Projected principal-related cash payments (receipts) associated with our cross-currency derivative instruments	117.7	(306.5)
Total covenant amount of third-party gross debt	**16,363.2**	**16,616.1**
Cash and cash equivalents	(209.7)	(444.7)
Total covenant amount of third-party net debt	**£ 16,153.5**	**£ 16,171.4**

Net Senior Debt to Annualised Adjusted EBITDA and Net Total Debt to Annualised Adjusted EBITDA is set forth below. These ratios calculate Adjusted EBITDA on a last two quarters annualised basis as of 31 December 2023.

	31 December 2023	Covenant
Net Senior Debt to Annualised Adjusted EBITDA (last two quarters annualised)	3.35x	4.00x
Net Total Debt to Annualised Adjusted EBITDA (last two quarters annualised)	3.64x	5.00x

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.

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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 Ltd. (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 fibre and 5G networks, and currently provides over 85 million[(i)] connections across Europe. Liberty Global's businesses operate under some of the best-known consumer brands, including Sunrise in Switzerland, Telenet in Belgium, Virgin Media in Ireland, UPC in Slovakia, Virgin Media-O2 in the U.K. and VodafoneZiggo in The Netherlands. Liberty Global, through its global investment arm, Liberty Global Ventures, has a portfolio of more than 75 companies and funds across the content, technology and infrastructure industries, including stakes in companies like ITV, Televisa Univision, Plume, AtlasEdge and the Formula E racing series.

Telefónica is one the largest telecommunications service providers in the world. The company offers fixed and mobile connectivity as well as a wide range of digital services for residential and business customers. With more than 385 million customers, Telefónica operates in Europe and Latin America. Telefónica is a 100% listed company and its shares are traded on the Spanish Stock Market and on those in New York and Lima.

(i) Represents aggregate consolidated and 50% owned non-consolidated fixed and mobile subscribers. Includes wholesale mobile connections of the Virgin Media O2 JV and B2B fixed subscribers of the VodafoneZiggo JV.

Footnotes

1. Formed on 1 June 2021, Virgin Media O2 is a 50:50 joint venture between Liberty Global Ltd. (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 and year ended 31 December 2023 and 2022.

2. In addition to Transaction Adjusted EBITDA, the supplementary financial measure Transaction Adjusted EBITDAaL is set forth below:

	Three months ended 31 December		Increase (decrease)	Year ended 31 December		Increase (decrease)
	2023	2022		2023	2022	
	in £ millions, except % amounts					
Transaction Adjusted EBITDAaL						
Transaction Adjusted EBITDA	1,088.8	1,010.5	7.7%	4,102.3	3,905.4	5.0%
Lease depreciation and interest costs	(58.8)	(60.6)		(225.8)	(237.7)	
Transaction Adjusted EBITDAaL	1,030.0	949.9	8.4%	3,876.5	3,667.7	5.7%

3. In October 2023, we announced the agreement to sell a 16.67% minority stake in CTIL to the UK-based infrastructure fund, GLIL Infrastructure LLP. CTIL will continue to be proportionately consolidated within the financial information stated. There is a (£0.4 million) amount within the net (loss) profit for the the month and year ended 31 December 2023 attributable to the Non-Controlling Interest.

4. Effective in Q1 2024 reporting, transaction adjustments will no longer be reported.

Glossary

<u>5G Population Coverage</u>: The percentage of the UK outdoor population with access to 5G services.

<u>5G Towns & Cities</u>: The number of UK locations with over 50% outdoor population coverage.

<u>Adjusted EBITDA</u>: 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 results 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. Share-based compensation for the purposes of calculating Adjusted EBITDA also includes awards granted to Virgin Media O2 employees that are settled with Liberty Global and Telefónica shares. 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.

<u>Adjusted Free Cash Flow:</u> Net cash provided by our operating activities, plus expenses financed by an intermediary, less (i) capital expenditures, as reported in our consolidated statements of cash flows, (ii) principal payments on amounts financed by vendors and intermediaries and (iii) 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 consolidated statements of cash flows.

<u>ARPU per Fixed-Line Customer:</u> 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 growth for Transaction Adjusted Revenue and Transaction Adjusted EBITDA.

<u>B2B</u>: Business-to-Business.

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

<u>Contract Churn:</u> 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 by the average base.

<u>Costs to Capture (CTC):</u> 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.

<u>CTIL:</u> Cornerstone Telecommunications Infrastructure Limited

<u>Fixed-Line Customer Relationships:</u> 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.

<u>Fixed-Mobile Convergence (FMC) penetration:</u> 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.

<u>FTTH:</u> Fibre to the home

<u>FTTP:</u> Fibre to the premise

<u>Homes Serviceable:</u> Homes, residential multiple dwelling units or commercial units that can be connected to our networks that are technologically capable of providing two-way services (including video, internet and telephony services) or partner networks with which we have a service agreement, where customers can request and receive our services, without materially extending the distribution plant. Certain of our Homes Serviceable 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.

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 Prepaid retail mobile connections for 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 Mobile, SMB Wholesale and other).

MVNO: Mobile Virtual Network Operator.

P&E additions: Includes capital expenditures on an accrual basis, amounts financed under vendor financing or 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.

Scope 1 & 2 Carbon Emissions: Metric tons of (Carbon Dioxide emissions) CO_2e. Direct emissions (Scope 1) from fuel consumption and leakage of refrigerant gases in our operations, as well as indirect emissions from secondary energy sources (Scope 2).

SIM: Subscriber Identification Module.

SOHO: Small or Home Office Subscribers.

Transaction Adjusted EBITDA: 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 fair value measurement required, in connection with completion of the joint venture, whereby the opening balance sheet of the combined business as reported at its estimated fair value, resulting in the adjustment of certain deferred revenue, primarily installation, and deferred commission and install cost balances, which would have been recognised as revenue and operating costs respectively. We believe this is a key metric to understand VMED O2's growth, as it allows for a more meaningful comparison of trends from period to period.

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 consolidated statements of profit or loss.

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: Transaction Adjusted EBITDA less P&E and 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 profit or loss or other IFRS measures of income. For limitations of this metric see the definition of Transaction Adjusted EBITDA.

YoY: Year-over-year.