VMED O2 UK HOLDINGS LIMITED
Annual Bond Report and Consolidated Financial Statements
31 December 2023

VMED O2 UK HOLDINGS LIMITED
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Forward-looking Statements

Certain statements in this Annual Bond Report (**Annual Report**) constitute forward-looking statements. These forward-looking statements include, but are not limited to, statements other than statements of historical facts contained in this Annual Report, including, but without limitation, those regarding VMED O2 UK Holdings Limited (**VMED O2's** or **Virgin Media O2's**) business, product, foreign currency and finance strategies, future periods, subscriber growth and retention rates, competitive, regulatory and economic factors, the timing and impacts of proposed transactions, the maturity of VMED O2's markets, the anticipated impacts of new legislation (or changes to existing rules and regulations), anticipated changes in VMED O2's revenue, costs or growth rates, liquidity, credit risks, foreign currency and hedging risks, interest rate risks, target leverage levels, debt covenants, VMED O2's future projected contractual commitments and cash flows and other information and statements that are not historical fact. In some cases, you can identify these statements by terminology such as "aim", "anticipate", "believe", "continue", "could", "estimate", "expect", "intend", "may", "plan", "potential", "predict", "project", "should", and "will" and similar words used in this Annual Report.

Where, in any forward-looking statement, VMED O2 expresses an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved or accomplished.

Risks and uncertainties that could cause actual results to vary materially from those anticipated in the forward-looking statements included in this Annual Report include those described under "Risk Factors" in this Annual Report.

The following include some but not all of the factors that could cause actual results or events to differ materially from anticipated results or events:

- economic and business conditions and industry trends in the United Kingdom (**UK**);
- the competitive environment in the broadband internet, mobile, video and telecommunications industries in the UK, including competitor responses to our products and services;
- fluctuations in currency exchange rates and interest rates;
- instability in global financial markets, including sovereign debt issues, currency instability and related fiscal reforms;
- consumer disposable income and spending levels, including the availability and amount of individual consumer debt, as a result of, among other things, inflationary pressures;
- changes in consumer television viewing, mobile and broadband internet usage preferences and habits;
- consumer acceptance of our existing service offerings, including our mobile, broadband internet, video, fixed-line telephony and business service offerings, and of new technology, programming alternatives and other products and services that we may offer in the future;
- our ability to manage rapid technological changes, including our ability to adequately manage our legacy technologies and transformation, and the rate at which our current technology becomes obsolete;
- our ability to maintain or increase the number of subscriptions to our mobile, broadband internet, video and fixed-line telephony service offerings and our average revenue per household;
- our ability to provide satisfactory customer service, including support for new and evolving products and services;
- our ability to maintain or increase prices to our subscribers, or to pass through increased costs to our subscribers, including with respect to our significant property, plant and equipment additions, as a result of, among other things, inflationary pressures;
- the impact of our future financial performance, or market conditions generally, on the availability, terms and deployment of capital and on customer spending;
- our ability to comply with, government regulations and legislation in the UK and adverse outcomes from regulatory proceedings;
- the impact of government intervention which impairs our competitive position, including any intervention that would open our broadband or mobile distribution networks to competitors as well as any changes in our accreditations or licences;
- our ability to maintain and further develop our direct and indirect distribution channels;
- the effect of perceived health risks associated with electromagnetic radiation from base stations and associated equipment;
- changes in UK laws, monetary policies, and government regulations or other risks relating to our ability to set prices, enter new markets or control our costs;
- any failure to comply with anti-corruption laws and regulations and economic sanctions programmes;
- the effect on our business of strikes or collective action by certain of our employees that are represented by trade unions;
- any conflict of interests between our direct or indirect parent companies and our debt holders' interests;
- our ability to obtain regulatory approval and satisfy other conditions necessary to close acquisitions and dispositions and the impact of conditions imposed by competition and other regulatory authorities in connection with acquisitions;
- our ability to successfully acquire, form or dispose of businesses and, if acquired, to integrate, realise anticipated efficiencies from, and implement our business plan with respect to, the businesses we have acquired or that we expect to acquire;
- changes in laws or treaties relating to taxation, or the interpretation thereof, in the UK and US;
- our exposure to additional tax liability and negative or unexpected tax consequences as a result of adverse changes in our financial outlook and entity structure;
- changes in laws, monetary policies and government regulations that may impact the availability or cost of capital and the derivative instruments that hedge certain of our financial risks;

- our ability to navigate the potential impacts on our business resulting from the UK's departure from the European Union (**EU**);
- the ability of suppliers and vendors to timely deliver quality products, equipment, software, services and access;
- the activities of device manufacturers and our ability to secure adequate and timely supply of handsets that experience high demand;
- the availability of, and our ability to acquire on acceptable terms, attractive programming for our video services and the costs associated with such programming;
- uncertainties inherent in the development and integration of new business lines and business strategies;
- our ability to adequately forecast and plan future network requirements, including the costs and benefits associated with the network, the deployment of our 5G network and the planned programme to upgrade our existing fixed-line network to full Fibre-To-The-Premises (**FTTP**, or alternatively fibre-to-home **FTTH**, fibre-to-the cabinet/-building/-node referred to herein as **FTTx**) and through nexfibre, a related party to build a wholesale FTTH network in the UK;
- the availability and cost of capital for the acquisition, maintenance and/or development of telecommunications networks, products and services;
- the availability, cost and regulation of spectrum;
- problems we may discover post-closing with the operations, including the internal controls and financial reporting process, of businesses we acquire (including in relation to the Joint Venture (as defined), including the failure to realise our financial and strategic goals with respect to strategic transactions;
- successfully integrating businesses or operations that we acquire or partner with on timelines or within the budgets estimated for such integrations;
- operating costs, customer loss and business disruption, including maintaining relationships with employees, customers, suppliers or vendors, may be greater than expected in connection with our acquisitions, dispositions and joint ventures;
- our ability to realise the expected synergies from our acquisitions and joint ventures in the amounts anticipated or on the anticipated timelines;
- our ability to profit from investments, such as our joint ventures, that we do not solely control;
- our ability to anticipate, protect against, mitigate and contain loss of our and our customers' data as a result of cyber attacks on us;
- the leakage of sensitive customer or company data or any failure to comply with applicable data protection laws, regulations and rules;
- a failure in our network and information systems, whether caused by a natural failure or a security breach, and unauthorised access to our networks;
- the outcome of any pending or possible litigation;
- the loss of key employees and the availability of qualified personnel;
- adverse changes in public perception of the "Virgin" brand, which we and others license from Virgin Enterprises Limited, and of the "O2" brand, which we license from O2 Worldwide Limited, and any resulting impacts on the goodwill of customers toward us;
- events that are outside of our control, such as political unrest in international markets, terrorist attacks, armed conflicts, malicious human acts, natural disasters, epidemics, pandemics (such as COVID-19) and other similar events, including the ongoing invasion of Ukraine by Russia and the Israeli-Palestinian conflict;
- the risk of default by counterparties to our cash investments, derivative and other financial instruments and undrawn debt facilities;
- changes in laws and government regulations that may impact our ability to finance expenditures as "Eligible Green Projects" under the International Capital Markets Association's (**ICMA**'s) Green Bond Principles, satisfy "green" reporting requirements or undertakings and impact the suitability of certain senior secured notes issued under ICMA's Green Bond Principles as a 'green' asset to investors;
- adverse impacts on our reputation from our sustainability programme being viewed as inadequate by customers, regulators in addition to government authorities; and
- an increase in our operational costs due to the impact of our sustainability commitments, regulatory and government action on climate change.

The broadband distribution and mobile services industries are changing rapidly and, therefore, the forward-looking statements of expectations, plans and intent in this Annual Report are subject to a significant degree of risk. These forward-looking statements and the above-described risks, uncertainties and other factors speak only as of the date of this Annual Report, and VMED O2 expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein, to reflect any change in VMED O2's expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based. Readers are cautioned not to place undue reliance on any forward-looking statement.

VMED O2 undertakes no obligation to review or confirm analysts' expectations or estimates or to release publicly any revisions to any forward-looking statements to reflect events or circumstances after the date of this Annual Report.

VMED O2 discloses important factors that could cause VMED O2's actual results to differ materially from VMED O2's expectations in this Annual Report. These cautionary statements qualify all forward-looking statements attributable to VMED O2 or persons acting on VMED O2's behalf.

Strategic Report

Business of the Group

In this Annual Report, unless the context otherwise requires, the terms "we," "our," "our Company" and "us" may refer, as the context requires, to VMED O2 or collectively to VMED O2 and its subsidiaries (**Group**). Unless otherwise indicated, operational and statistical data, including subscriber statistics and product offerings, are as of 31 December 2023.

Introduction

VMED O2 is an integrated communications provider of mobile, broadband internet, video and fixed-line telephony to residential customers and organisations in the UK.

VMED O2 is a wholly-owned subsidiary of VMED O2 UK Limited, which is a 50:50 joint venture that was formed on 1 June 2021 between Liberty Global Holdings Limited (formerly Liberty Global plc), now a wholly-owned subsidiary of Liberty Global Ltd. (**Liberty Global**) and Telefónica, SA (**Telefónica**) (the **Joint Venture Transaction**). Prior to the completion of the Joint Venture Transaction, (i) Virgin Media Inc. (Virgin Media) was a wholly-owned subsidiary of Liberty Global that provided fixed and mobile communications services in the UK and (ii) O2 Holdings Limited (**O2 Holdings**) was a wholly-owned subsidiary of Telefónica that provided mobile communications services in the UK.

Virgin Media O2 combines the UK's largest mobile network, with 44.9 million mobile connections, and the largest serviceable gigabit broadband network available to 17.0 million homes. As of 31 December 2023, our total gigabit footprint amounted to 17.0 million homes serviceable and served 5.8 million fixed-line customers with 5.7 million customers taking a broadband internet product. In addition, as of 31 December 2023, we served 35.2 million retail mobile connections and 9.6 million wholesale mobile connections.

Our Fixed-Line Network

Our fixed-line network operated under the Virgin Media brand provides broadband internet, video, and fixed-line telephony services in the UK. We are one of the UK's largest providers of residential communications services in terms of the number of customers. We believe our advanced, deep-fibre cable access network enables us to offer faster and higher quality broadband internet services than digital subscriber line (**DSL**) market participants. As a result, we provide our residential customers with a leading broadband internet service and one of the most advanced interactive television services available in the UK market. As of 31 December 2023, we offered Virgin Media's residential broadband internet speeds up to 1.1 gigabits per second (**Gbps**), with gigabit speeds available across our entire footprint.

In July 2021, we announced our intention to upgrade our entire existing fixed-line network to full FTTP; this programme is underway with completion targeted by the end of 2028.

In July 2022, Liberty Global, Telefónica and InfraVia Capital Partners formed the nexfibre joint venture (**nexfibre**), to build a fibre network in the UK covering up to 7 million homes. The partnership will initially roll out fibre to 5 million homes not currently served by our network by the end of 2026, with the opportunity to expand to approximately an additional 2 million homes. We will act as anchor tenant to the nexfibre network, in addition to providing a range of services utilising our scale and experience in fixed network deployment.

Our Mobile Network

Our mobile network is operated under the O2 brand and is a leading UK mobile network operator (**MNO**), whose primary business is providing mobile telecommunications and related services. Under our premium O2 brand, we offer mobile and value-add products and services to consumer and business customers. We additionally utilise our mobile network through Mobile Virtual Network Operator (**MVNO**) arrangements, with brands including wholly-owned giffgaff, our joint venture Tesco Mobile, and third-parties such as Sky Mobile.

As of 31 December 2023, we operated 2G, 3G, 4G and 5G mobile networks providing 2G, 3G and 4G voice and data coverage to more than 99% (in at least one band) of the UK outdoor population.

Joint Venture Transaction Synergy Opportunity

Prior to the formation of VMED O2, Liberty Global and Telefónica announced the estimated synergy opportunity from the Joint Venture Transaction. The estimated run-rate cost, capex and revenue synergies were £540 million on an annual basis by the fifth full year post closing, equivalent to a net present value of approximately £6.2 billion post tax and net of integration costs, excluding potential synergies from the accelerated usage of existing tax assets. The £540 million synergies estimate was comprised of £350 million of cost savings, approximately £80 million of capex and £110 million of revenue synergies. In 2023, we realised approximately two thirds of these synergies on an absolute basis.

Operating Statistics

The following table shows our operating statistics as of and for the corresponding periods ended 31 December 2023 and 2022:

	Year ended 31 December	
	2023	**2022**
Footprint		
Homes Serviceable(i)	**16,999,700**	**16,166,600**
Fixed-Line Customer Relationships		
Fixed-Line Customer Relationships(ii)	**5,826,800**	**5,795,500**
Of which Broadband Connections(ii)	5,717,600	5,653,800
Fixed-Line Customer Relationship net additions	**31,300**	**27,200**
Of which Broadband net additions	63,800	57,000
Mobile		
Retail Connections	**35,216,300**	**33,831,400**
Mobile	23,740,200	24,055,900
Contract	16,122,300	16,087,600
Prepaid	7,617,900	7,968,300
IoT	11,476,100	9,775,500
Wholesale Connections	**9,644,900**	**10,818,600**
Total Mobile Connections	**44,861,200**	**44,650,000**
Retail net additions(iii)	**1,396,800**	**1,554,600**
Mobile net losses(iii)	(303,800)	(9,300)
Contract net additions(iii)	46,600	141,500
Prepaid net losses	(350,400)	(150,800)
IoT additions	1,700,600	1,563,900
Wholesale net additions (losses)(iii)	**(1,185,600)**	**852,000**
Total Mobile net additions	**211,200**	**2,406,600**

(i) Excludes Upp premises where integration is underway. Once complete, premises will be transferred to nexfibre and included in our 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.

Glossary:

- Homes Serviceable: 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.

- 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.

- 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.

- Mobile Retail Connections: The number of active subscriber identity module (**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, Small and Medium Business (**SMB**), Enterprise, Mobile Broadband and Internet of Things (**IoT**) Connections (as defined below) 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).

- IoT Connections represent the total number of Machine-to-Machine (**M2M**) connections including Smart Metering Implementation Programme (**SMIP**) contract connections.

- Mobile Wholesale Connections represents the total number of wholesale MVNO contract connections (Tesco Mobile, Sky Mobile, SMB Wholesale and other).

Consumer

The majority of our revenue is derived from sales of mobile and fixed telecommunication services to consumers. This utilises both our mobile and fixed networks and is supported by our ability to sell converged bundles of multiple products.

Consumer Mobile

Our mobile network is a leading UK MNO whose primary business is providing mobile telecommunications and related services. Virgin Media O2 is the largest MNO in the UK telecoms market, based upon total subscribers including wholesale MVNO connections.

Under our premium O2 brand, we offer a comprehensive range of mobile services and products to customers, including mobile voice, messaging and data services, and sales of handsets, tablets, wearable devices and other hardware. In addition, we offer a range of value-add services and products including digital payment services and insurance products. Through our digital loyalty programme, Priority, we offer customers a range of exclusive deals and perks. In addition to offerings under the O2 brand, we also seek to access additional customer groups through our giffgaff brand, while also receiving wholesale revenue from other consumer brands through our MVNO partnerships (see "Business and Wholesale" on page 13 for further information).

As part of the integration of Virgin Media and O2, we have moved all Virgin Mobile customers over to O2's range of plans. Once a customer has been moved to an O2 plan, they benefit from unlimited texts and voice calls, and either double the data or unlimited data for the same amount of money each month. Migrations started in Q1 2023 and completed in November 2023.

For our O2 consumer mobile contract customers in April each year, as stated clearly within terms and conditions, customers' Airtime Plan will be increased by January's Retail Price Index (**RPI**) rate of inflation, announced in February, plus 3.9% if the contract started from 25th March 2021. For contracts that began prior to that date the increase will be the RPI rate only. The RPI rate for January 2023 was 13.4%, meaning an increase in Airtime Plan of 17.3% for applicable customers.

Consumer Mobile Services and Products

We offer a wide range of mobile telecommunications and value-add services and products to our consumer customers principally under our premium O2 brand, with our additional giffgaff brand targeting other segments in the market. Our approach focuses on the needs of our customers with the aim of maintaining and increasing our large, loyal customer base to drive value.

a) Mobile Services

We offer our consumer customers mobile voice, messaging and data services which are supplied, through the use of either a SIM card or through an embedded SIM (**eSIM**). Customers can purchase a SIM card either on its own as a SIM only (**SIMO**) mobile service or together with a handset. Mobile services for both SIMO and handset options are offered under two payment models "contract" or "pay monthly" (a post-pay model) and "prepaid" or "pay as you go" (a pre-pay model). "Pay monthly" customers have access to the "Custom Plan" proposition (as part of "O2 Refresh"), which allows customers to spread the cost of their phones over different terms, flex their data up and down, or upgrade. "Pay as you go" customers can purchase a handset paying in full upfront.

We also provide data-only mobile broadband services over our mobile network. Customers can purchase data-only plans together with a tablet device, or as a SIMO service purchasing data access devices separately, for example a laptop dongle or a mobile WiFi device.

"O2 Family" is our multi-SIM proposition with the aim to simplify billing processes and provide discounts based upon the number of connections registered. For each family connection registered, the primary account holder receives one bill rather than multiple bills throughout the month.

b) Hardware Sales

In addition to handsets, tablets and data access devices offered to its mobile customers, we offer a range of stand-alone products, including smart-tech (such as smart watches and fitness devices) and accessories (such as handset cases, screen protectors, chargers, cables, portable batteries, headphones and speakers), and other technology (such as games consoles and virtual reality headsets).

Our "Switch Up" proposition allows customers on certain tariffs to trade in their current phone for a new one every 90 days.

As part of our "Like New" online offers, customers are able to select from a choice of quality assured pre-owned handsets. Customers can purchase "Like New" handsets as part of our "pay monthly" and "pay as you go" payment models.

Consumers on any network can exchange their existing handset through "O2 Recycle", a scheme which allows people to exchange old phones and other gadgets utilising the value towards the cost of a new one or for cash payment or bill credit. Devices returned through O2 Recycle are processed for re-use via Like New, Market Place, re-sold or sent for environmental recycling by dissembling and harvesting component parts.

c) giffgaff

We also have a wholly owned digital brand, giffgaff. giffgaff is a 100% owned subsidiary of VMED O2, and is principally an online-only MVNO providing telecommunications services to the consumer mobile segment. It has no call centres or shops, resulting in a highly-efficient member service model with significantly reduced customer service costs. The majority of giffgaff's customer base takes prepaid, SIMO mobile services, but it also offers new and refurbished handsets and from Q2 2023 introduced pay monthly services.

d) Value-add Services

We offer a number of value-add services as part of our strategy to increase customer engagement and loyalty, and reduce customer churn rates. The following value-add services are available to our customers:

i) Rewards and Offers

Priority offers customers a range of exclusive deals and offers through a mobile application (**app**), as well as 48 hours early access to presales of tickets for music, comedy and sports events across the UK, including 20 O2 Academy venues, The O2, and England Rugby matches at Twickenham. Priority is one of the largest UK digital loyalty programmes. Priority is also available to Virgin Media customers and had 3.4 million active users (defined as users who have opened Priority in the past 12 months) as of 31 December 2023.

ii) WiFi
"O2 WiFi" provides access to WiFi connectivity free of charge to end users regardless of their network. It had approximately 15.3 million unique users as of 31 December 2023 (defined as those who had used the service in the prior three month period). O2 WiFi supports customers' connectivity needs, as well as gaining access to a wider potential customer base, introducing them to the O2 brand experience.

iii) Communications
WiFi Calling (also called **Voice over WiFi** or **VoWiFi**), allows customers to make and receive calls even if they cannot connect to the mobile network. 4G Calling (also called **Voice over LTE** or **VoLTE**) allows customers to make calls using the 4G network, for a higher definition, clearer voice call. WiFi and 4G Calling are available to O2 network customers and, in 4G Calling areas, they work together to provide a seamless and uninterrupted experience as customers move from one to another, preventing calls from dropping.

iv) Payment Services
"Charge to Mobile" allows customers to buy digital content through their device, with the cost of the product added to their monthly mobile bill for pay monthly customers or taken from their mobile credit for pay as you go customers.

v) MyO2
"MyO2" enables consumer customers to digitally self-serve, providing account management features including billing, payments, bolt-ons and tariff changes.

vi) O2 Extras
"O2 Extras" gives customers access to services including Amazon Music Unlimited, Amazon Prime Video, Audible, McAfee and Disney+. When customers take out certain tariffs for an O2 Refresh phone, tablet or SIMO contract, they can choose one Extra free for 6 months, and customers can also add chargeable Extras to their monthly bill at any time.

We also offer paid services and products with the aim of leveraging our strong position in the UK mobile service market and monetising additional growth opportunities, including (i) mobile and tablet insurance, (ii) international calling bolt-ons which allow customers to make international calls from 1p per minute for £3 per month, and (iii) the "O2 Travel" bolt-on, which allows customers to call, text and use data at significantly reduced rates (compared with O2's standard rates) while roaming abroad.

Consumer Fixed
Our Virgin Media brand is one of the UK's largest providers of residential communications services in terms of the number of customers, offering broadband internet, video, and fixed-line telephony services.

Virgin Media's residential broadband internet subscribers access the internet at various download speeds up to 1.1Gbps as of 31 December 2023, depending on the tier of service selected, with gigabit download speeds offered to the whole of our footprint. We determine pricing for each different tier of broadband internet service through analysis of speed, market conditions and other factors, and as of 31 December 2023, 98% of our fixed-line customers were broadband internet customers. Fixed-mobile convergence (**FMC**) penetration represents the number of customers who subscribe to both a broadband internet service and contract mobile service, divided by the number of customers who subscribe to our broadband internet service. FMC penetration has remained stable in 2023 at 44%, with the primary activity being customers migrating from earlier FMC bundles such as "Oomph" to our lead convergence proposition "Volt". We aim to increase penetration of FMC through acquisition of new customers, cross-sell of new products into respective fixed and mobile bases, and enrolment of existing customers.

Our digital cable service offerings include basic and premium programming and incremental product and service offerings such as enhanced pay-per-view (**PPV**) programming (including digital cable-on-demand), digital cable recorders, ultra-high definition (**UHD**), high definition (**HD**) and access to over-the-top (**OTT**) content.

Our residential customers include Small Office, Home Office (**SoHo**) customers that pay a premium price to receive enhanced service levels along with video, internet or telephony services that are the same or similar to the products offered to our residential subscribers. All SoHo customers receiving mass marketed products, whether or not accompanied by enhanced service levels and/or premium prices, are included in our fixed-line customer counts and subscriber revenue, with only those services provided at premium prices considered to be SoHo customers.

Consumer Fixed Products and Services
We offer our customers a choice of packages and tariffs within each of our fixed-line and fixed-mobile converged product categories. This includes broadband internet, video and fixed-line telephony alongside converged packages with mobile contract services. Customers are charged a recurring rental fee for the package with additional out-of-bundle, transactional and one-off charges. Services are acquired by consumers through online, voice, retail and field sales channels.

Our converged offering enables customers to benefit from one supplier for all of their telecommunication and video entertainment needs. Fast and reliable broadband is of crucial importance to our customers, as they spend more time streaming video and other bandwidth-heavy services on multiple devices. Customers across our fixed footprint are able to access gigabit download speeds, with an average speed across our broadband base of 358 megabits per second (**Mbps**), which is approximately 5 times higher than the national average as reported by Ofcom. Our entertainment propositions, accessed through a set-top-box, offer customers a seamless and personal entertainment experience bringing together the top TV channels and streaming apps as well as the ability to watch content on the go with the "Virgin TV Go" app.

Volt is our lead fixed-mobile converged proposition with customers benefitting from the best of both brands, with faster broadband speeds, double mobile data, "WiFi Guarantee" at no extra cost, WiFi pods to boost connectivity, and roaming with O2 Travel. Volt is available to both new and existing customers when they combine a Virgin Media broadband package with an eligible mobile contract plan from O2. As of 31 December 2023, 1.9 million customers took a Volt bundle from us. We also offer a series of Volt bundles exclusively for small businesses, providing more speed, more data and more value.

Our bundled packages are designed to encourage our customers to purchase multiple services across our product portfolio by offering incentives to customers who subscribe to two or more of our products. The types and number of services that each customer uses, and the prices we charge for these services, drive our revenue.

In the first half of 2023, we informed some of our fixed-line customers of price increases which averaged approximately 13.8%, primarily implemented over the second quarter, giving customers the right to cancel for 30 days. Some cohorts are excluded from price rises, including vulnerable customers on "Essential Broadband", and "Talk Protected" tariffs. Customers, with some exceptions, were also notified that terms and conditions were updated meaning from 2024 onwards an RPI plus 3.9% increase would be applied, closer aligned to the process of the mobile price increase.

a) Broadband Internet
Internet speed and reliability is of key importance to our customers, as they spend more time streaming video and other bandwidth heavy services on multiple devices. Our extensive broadband network enables us to deliver ultra high-speed internet service across our markets in the UK and we are one of the leading providers of broadband internet access in the UK. Our residential subscribers access the internet via cable modems connected to their internet capable devices, or wirelessly via a WiFi gateway device.

Our broadband internet services utilise "Intelligent WiFi", available with our "Hub 3", "Hub 4" or "Hub 5" routers, which 98% of our broadband customers have. Intelligent WiFi has optimisation functionalities, such as the ability to adapt to the number of people and devices online at any given time in order to improve and extend wireless connectivity reach and speeds. We also offer our "Connect App" that, amongst other things, allows our customers to find their best WiFi access. In addition, we provide intelligent mesh WiFi boosters, which increase speed, reliability and coverage by adapting to the environment at home. Our next generation broadband router, Hub 5, comes with WiFi 6, the latest generation of wireless technology that brings faster and more reliable speeds. The Hub 5 is made with recycled plastic.

As of 31 December 2023, we offered six tiers of cable broadband internet services to new subscribers with unlimited downloads at speeds of up to 54Mbps (megabits per second), 132Mbps, 264Mbps, 362Mbps, 516Mbps and 1.1Gbps for a monthly fee. In addition to the monthly fee, customers pay an activation service fee upon subscribing to an internet service, although this one-time fee may be waived for promotional reasons. We determine pricing for each different tier of internet service through an analysis of speed, market conditions and other factors.

Our Essential Broadband service provides low-cost connectivity to those receiving Universal Credit, Pension Credit, Income Support, Income-based Jobseeker's Allowance or Income-based Employment Support Allowance, on a 30-day rolling contract. As of 31 December 2023, Essential Broadband of 15Mbps Fibre Broadband cost £12.50 per month, Essential Broadband Plus of 54Mbps Fibre Broadband cost £20.00 per month, and Essential Broadband Plus with Stream of 54Mbps Fibre Broadband and "Stream from Virgin Media" cost £20.00 per month with a one-off £20 Stream set up fee.

We are the largest gigabit speed provider in the UK with our "Gig1" service available across our UK footprint, representing 17.0 million premises. To further future-proof our fixed network, we are upgrading our entire footprint to FTTP through 10 Gigabit symmetrical passive optical network (**XGS-PON**) technology, as well as our build on behalf of nexfibre being exclusively FTTP (see "Networks" on page 15 for further information). In the long term, XGS-PON and fibre connections will provide customers with even more bandwidth as the technology enables symmetrical upload and download speeds. This means that customers will have the ability to upload as quickly as they download, at speeds of up to 10Gbps. With so many breakthroughs happening in the technology space right now, from the metaverse and generative AI, to mixed reality applications and immersive gaming, this connectivity will enable future new technologies and applications to flourish.

Fast and reliable broadband is of crucial importance to our customers, hence we offer our WiFi Guarantee with "WiFi Max". Customers are guaranteed download speeds of at least 30Mbps in every room or get a £100 bill credit. This service is backed up by our signal-boosting mesh WiFi Pods (if required) and Intelligent WiFi service – at no extra cost with Gig1 Fibre Broadband and our Volt packages.

b) Video
Our digital cable platform includes access to 230 linear television channels, advanced interactive features and a range of premium subscription-based and PPV services. In addition to our linear television services, which allow our customers to view television programming at a scheduled time, our digital cable customers also have access to a broad range of digital interactive services, including Virgin TV On Demand, one of the most comprehensive digital cable-on-demand services in the UK, and Virgin TV Go, one of the most comprehensive cloud-based entertainment services in the UK, which are described below.

We also offer interactive "red button" applications from the British Broadcasting Corporation (**BBC**) and other commercial broadcasters, such as Sky plc (**Sky**) and BT Group plc (**BT**). Red button functionality in the UK permits television viewers to press a red button on their remote control handset to receive additional interactive services, including multiple alternative broadcasts.

We also offer the flexible entertainment service Stream from Virgin Media that gives customers an affordable way to access their favourite entertainment with no long-term contract or ongoing charges for the basic package, and benefitting from 10% credit on any subscriptions that they add via their Virgin Media bill.

i) Digital Set-Top Boxes
We have a range of advanced digital set-top boxes in use with our customers, which include multiple tuners enabling recording of multiple programmes at the same time. Set-top boxes equipped with digital video recorders digitally record television programming to a hard disk in real-time, enabling customers to play back, pause, fast forward or rewind the programmes at any point during or for a period after the broadcast.

The Virgin Media V6 box combines support for UHD/4K video, together with improved streaming functionalities and more processing power. The Virgin Media V6 box has multiple tuners, allowing viewers to record six programmes while watching a seventh they previously recorded. Under a strategic partnership agreement, we also distribute the TiVo user interface software for our legacy set-top boxes.

All of our boxes provide converged television and broadband internet capabilities in the UK. This enables us to support digital cable-on-demand delivery of television shows, movies and children's programmes in addition to supporting web video services such as Netflix, BBC iPlayer, Prime Video and YouTube.

ii) Virgin TV 360
"Virgin TV 360" offers customers a seamless and more personal connected entertainment experience. Virgin TV 360 boasts all of the top TV channels and streaming apps such as Netflix, Amazon Prime Video and BBC iPlayer, all with UHD/4K and high dynamic range viewing capabilities. The platform also offers a host of features including a voice activated remote-control, Profiles, a new Mini box and Startover. Virgin TV 360 is powered by "Horizon", the next-generation entertainment platform developed by Liberty Global, and with access to regular updates and innovations, is Virgin Media's most advanced and intuitive TV platform to date.

The Virgin TV 360 box has multiple tuners, allowing viewers to record six programmes while watching a seventh they previously recorded. The Virgin TV 360 Mini box does not enable recording but streams recordings from the main TV 360 box. The Virgin TV 360 software can be downloaded to the Virgin Media V6 box allowing customers to migrate from TiVo to the latest Horizon software on receipt of the Virgin TV 360 Voice enabled remote control.

iii) Virgin TV On Demand
Our digital cable-on-demand service provides our customers with instant access to a wide selection of premium movies, television programmes. Content is available in a variety of broadcast formats including standard definition (**SD**), HD and UHD/4K. Our HD content is available to all of our digital cable customers who have an HD box, at no additional charge, however the exact channels available depend on the particular customer's package. Viewers can watch programmes instantly, without the need for buffering, and can freeze-frame, fast-forward and rewind the content at will. This gives our customers increased control over the content and timing of their television viewing.

The primary categories of content available within Virgin TV On Demand are "catch-up" television programming, boxsets, children's programming and movies (on a PPV and premium subscription basis). A selection of content, including our catchup television service, is available free of charge to all of our television customers.

iv) Subscription Video On Demand
We offer our television customers basic subscription video on demand (**SVOD**) with a selection of content that increases in volume in line with the customer's digital cable subscription tier.

The offering includes Virgin TV Ultra HD which is a linear entertainment channel broadcasting a selection of high-quality TV series to eligible Virgin TV customers in UHD. The Sky On Demand service allows our customers to access a library of television content from across Sky's range of entertainment channels, additionally UHD movie titles are available to eligible Virgin Media subscribers of Sky Cinema. Tailored advertising is also inserted across many providers within the basic television SVOD and free catch-up services.

v) Virgin Media Store
The Virgin Media Store offers hundreds of titles from all the major studios and most independent distributors. Customers can buy or rent the latest movies on demand, straight from the cinema plus buy much loved TV Box Sets (including series from HBO and Showtime). They can also get early access to premium rentals available to watch at home, the same time as in cinemas. Both Virgin TV and Non-Virgin TV customers can register and use our Virgin Media Store app to buy and watch content. Virgin TV customers can also rent and buy movies to watch on their TV via a Virgin TV box. Rental is only available on Virgin TV and may be viewed multiple times within a 48-hour window.

vi) Virgin TV Go & Virgin TV Control
Our "Virgin TV Go" app allows our television customers to stream more than 100 live television channels (depending on their TV package) on up to five devices at no extra cost through their web browser or via mobile apps for compatible Android, iOS and Windows devices. In addition, our Virgin TV 360 customers can use the Virgin TV Go app to control their set-top box and can also watch selected recordings from their Virgin TV 360 box.

Our Virgin TV Control app allows our TiVo or V6 box customers with iOS or Android mobile devices to manage their set-top box remotely. When in the home, these mobile devices can act as a remote control for their set-top boxes. Customers with compatible iOS or Android devices and a V6 box can also watch selected recordings from their V6 box within the home or download them to their devices for offline viewing using the Virgin TV Control app.

Virgin TV Go and Virgin TV Control are available at no extra cost to our digital cable customers. Virgin Media subscribers of Sky Sports are able to stream these premium channels online or on iOS and Android mobile devices through Sky-provided services.

vii) Apps
As well as our Virgin TV Go, Virgin TV Control and Virgin Media Store apps, we provide our television customers with a large array of third-party apps offering a wide range of content. We provide all the public service broadcaster apps, with BBC iPlayer, ITVX, Channel 4, My5 and STV Player all available to use via the Virgin TV remote. We also feature Amazon's Prime Video, Disney+, Apple TV+, Netflix, Paramount+, YouTube, YouTube Kids and Pluto TV. In addition, our TV platforms provide access to music apps including Vevo, BBC Sounds and Radioline, news apps from around the world, as well as games to entertain. We continue to improve and broaden our portfolio of apps and each year we are committed to bringing the very best new launches to the Virgin TV platforms.

viii) Stream from Virgin Media
Stream from Virgin Media is an internet protocol (**IP**) only TV streaming service allowing customers to bring together their TV subscriptions in one place, utilising a Virgin Media broadband internet connection. A small Stream box can be plugged into a user's television providing them with easy access to TV channels and apps such as BBC, ITV, Channel 4 and YouTube. Customers can get at least 10% Stream credit back on selected entertainment subscriptions if they pay through their Virgin Media bill, including subscriptions like Netflix and Disney+ Premium, as well as Sky Sports and Essential Entertainment. By bundling their OTT subscriptions together, customers also have an easy-to-see overview of what they are paying for and can manage them in a straightforward way, allowing for added flexibility as their viewing habits change.

c) Fixed-Line Telephony
We provide local, national and international telephony services to our residential customers over our twisted copper, hybrid fibre coaxial cable and FTTx networks. We also provide telephony services through voice over internet protocol (**VoIP**) technology, across our

fibre network. We offer a basic line rental service to our cable customers for a fixed monthly fee. In addition, we also offer tiered bundles of call tariffs, features and services, including calling plans that enable customers to make unlimited national landline calls and calls to mobile telephones either during specified periods or anytime, for an incremental fixed monthly fee. Our fixed-line customers can also make calls to mobile customers free of charge and may also subscribe to additional services such as call waiting, call blocking, call forwarding, three-way calling, advanced voicemail and anonymous caller rejection services for an additional fee.

Business and Wholesale

With a diverse and long tenured customer base across all segments, we provide business services to large enterprise, public sector and small & medium business customers, as well as wholesale and MVNO partners. There has never been a more important role for connectivity than right now. As organisations look to build for the future, they want a partner that really understand their needs. As a key provider of Business-to-business (**B2B**) communication services in the UK, through our converged offering, we provide flexibility and choice with connectivity solutions across our award-winning fixed and mobile networks, as well as integrated voice, mobility, security, and cloud solutions. Additionally, we leverage our expertise and understanding of the customer through our data assets to create customer-first solutions through 5G private networks, and IoT connectivity, empowering customers to solve real-time business challenges and harness innovation. In 2023, Business Mobile revenue is reported as a part of Mobile, B2B Fixed revenue within Fixed revenue, and other products including revenues received from nexfibre, SMIP and Information and Communication Technology (**ICT**) revenues within Other revenue.

In addition, we look to partner with other organisations to wholesale our connectivity whether fixed or mobile. We own the relationship with some of the largest MVNO's in the UK. This means we wholesale our network to organisations such as Tesco Mobile and Sky Mobile. Finally, we also provide the connectivity for much of the UK's Smart Meter infrastructure roll out, helping the UK progress towards a more sustainable future.

The UK needs connectivity that is fit for today and for a sustainable future. Businesses need to be able to respond to the needs of today's dynamic workforce and hybrid ways of working. But arguably more importantly, businesses want to work with a brand with principles and commitments as well as skills and expertise. In 2023, we launched new sustainability-focused solutions. The "Carbon Calculator" aims to provide clear and trustworthy information on emissions related to our customers' services, to help them achieve their sustainability goals. Our "Tech Calculator" empowers our customers to drive tangible social impact by offering refurbished smartphones, mobile data, texts and calls to digitally excluded demographics, specifically 11 to 16 year-olds and those aged 65 and above. O2 Recycle for Business makes it simpler for companies to recycle their unused devices and get paid for doing so.

Business Direct

Our retail business offers connectivity and related services to the Large Enterprise and Public Sector in addition to Small and Medium Business.

Large Enterprise and Public Sector (**LEPS**)

We have a dedicated sales and customer success team focused exclusively on the Large Enterprise and Public Sector market in the UK. We service a range of private sector organisations including retail, construction, professional services, hospitality, financial services and manufacturing. Notable customers include McDonald's, London Grid for Learning, NHS England, Network Rail and Transport for London. In 2023 we combined our service management and sales teams into a single customer facing organisation with dedicated Customer Success managers focused on maximising customer satisfaction, delivering on our customer's business objectives and retention.

We offer a wide range of propositions to large enterprise and public sector customers, reflecting the complex requirements they have to connect their people and data, operate in a secure and compliant way and support the transformation of their businesses. Within the public sector, we have secured and retain places on all the relevant government-approved frameworks, so organisations can buy public sector ICT services as flexibly and efficiently as possible.

Throughout the year, our scale and broad product offering as a merged business has supported our ability to acquire new customers and enable increased cross-portfolio sales within our customer base. Examples of this include helping Homebase improve their network connectivity across its 153 UK stores, upgrading their infrastructure and connectivity, providing a faster, more stable network across all stores while helping them to reduce their costs. Earlier this year, working closely with Falkirk Council, we developed solutions that included a wide area network (**WAN**) deployment across the Council's over 60 schools in both urban and rural environments, greatly enhancing internet speed, accessibility and reliability across the region.

We have also taken strides to support our customers on their digital transformation journey through hosting Customer Advisory Boards and Innovation Forums aimed at identifying and innovating future tech requirements and solutions. Enhancing our awareness in our marketplace, we have been active at many industry events during the year, supporting Northumbria Water Group at their Innovation Festival, Government and Civil Service customers at Tech UK, Connected Britain, Connected London and Police Digital Summit, as well as employees attending the Mobile World Congress in 2023.

Throughout the year, our scale and broad product offering as a merged business has supported our ability to acquire new customers and enable increased cross-portfolio sales within our customer base, including the Metropolitan Police and a number of other public sector organisations. We launched a partnership with Telefonica Tech UK&I in 2023 for the provision of cloud managed services, with new customer wins in the retail, engineering, healthcare and local government sectors.

Products and Propositions

a) Mobile

Our mobile offering provides our customers with connectivity, devices, management and enterprise managed mobility tools to help mobilise and manage their workforce, tailored to their needs.

Our flexible approach to tariffs means we give the customer the best fit for their organisation, with voice, data, roaming and bolt-ons to ensure complete flexibility, control and peace of mind.

We range the latest smartphones, tablets and the accessories to help our customers of all sizes work smarter, faster and more efficiently to cover all the customers organisational needs and, more importantly, to enable their people with the best technology.

We help our customers access the latest technology with flexible financing options with the option to spread the cost, own or lease.

b) Connectivity, Cloud and Security
We have a rich portfolio of connectivity solutions that range from high performance broadband and internet access to complex managed WAN and Local Area Networks (**LAN**) / WiFi solutions for enterprise and public sector customers.

We bring together our fixed-line broadband internet and 5G services while expanding our network reach across the country, and offer a full range of access options, so our customers can access their services in the most cost-effective and secure way. Our extensive broadband network enables us to deliver ultra high-speed internet service across all our markets in the UK.

Our network has over 300 points of presence (**PoP**s) delivering Ethernet based services and is capable of carrying a variety of services and high bandwidth applications simultaneously. Our managed WAN solutions securely connect business users and devices to the data centres, cloud services and applications they need, and we increasingly aim to enable digital transformation with new generation services such as Software Defined Wide Area Networks (**SD-WAN**) built around the cloud and Software as a Service (**SaaS**) applications. We assist our customers on their cloud journey through our partnership with Telefónica Tech. Services we provide include consulting engagements to assist the customer define, develop and deploy their vision for cloud and offer enhanced support through in-life managed services.

We offer Secure Access Service Edge (**SASE**), delivering a security framework that converges a SD-WAN and Zero Trust security solutions into a converged cloud-delivered platform that securely connects users, systems, endpoints, and remote networks to apps and resources.

We also offer a wide portfolio of integrated, fully managed security solutions and services through partnerships with leading software vendors such as Microsoft, Akamai, IBM and Sophos. To compliment these, we provide security monitoring and response services across our customers information technology (**IT**) estate, leveraging the Managed SOC capability of our partner Telefónica Tech.

c) Workforce Productivity
We have a range of productivity solutions across all business segments of the market that enable organisations to maximise the return from their investment in connectivity and digital tools.

We provide end-to-end services, helping customers with simplifying the configuration, provision, management and recycling of customer devices, including platforms including Apple ADE, Samsung KME and Android ZTE which are provided free of charge to our business customers with the purchase of new devices.

For larger businesses we offer Managed Logistics Service (**MLS**), allowing our customers to speed up device on-boarding by having kit and pre-configured devices to their specific operational needs, along with optional lifecycle repairs, replacement, and asset management.

We work closely with a number of strategic partners to meet the needs of all customers such as Cisco and Microsoft, and provide, configure, manage and support end-user productivity tools such as Microsoft Office365, Teams and VMWare Workspace One.

We have a range of voice solutions across all business segments of the market that include IP based voice services, Microsoft Teams and Contact Centre as a Service.

Small and Medium Business (**SMB**)
We operate in the SMB segment, broadly defined as companies with up to 250 employees, via a Direct team as well as a range of Indirect Partners.

a) Direct SMB
Virgin Media O2 Business has a dedicated sales, commercial and marketing team focused exclusively on the SMB market in the UK. The teams are responsible for offering fixed and mobile connectivity propositions, along with mobile hardware, secure flexible working, and unified communication and collaboration tools. These include products such as Microsoft Office365 along with security products such as MaaS360 and Sophos.

b) Indirect Sales
Our indirect SMB sales channel is built up of a number of direct relationships with partners (**Partners**), who sell O2 branded mobile connectivity and hardware propositions to business customers either directly or through their network of resellers (stockists). These Partners, many of whom have relationships with O2 spanning decades, represent an important part of our SMB activity and are a significant route to market. They offer us reach into different market segments, they give choice to business customers and often deliver a compelling service wrap and product range. The Partners complement our direct routes to market by giving SMB customers choice as to where they procure their telecommunications needs.

Customer Service
Our delivery and customer service teams provide high quality support across our customers, focusing on delivering outstanding experiences.

Customer Service Support for LEPS customers is based around a model that focuses on the authorised contacts from the customers organisation who are able to deal with account changes on behalf of the customers business. There are teams providing support through voice communications, and teams providing email and back-office support. For Enterprise customers, support is split between the UK, (voice, fixed data and complex email), and India, (standard email and back-office), whereas for Public Sector customers on Framework contract, all support is provided within the UK due to Framework compliance requirements. There are separate teams to deal with the on-boarding and set-up of new customers and tasks completed here would include account creation, transfer of mobile numbers from existing providers, ordering of handsets and activation of tariffs and services. Employees of the customers organisation, (referred to as **End Users**), have access to voice support through an End User team based in the UK.

SMB support is provided to three distinct groups of customers – SMB Small Business (up to 10 employees), SMB Medium Business (11 to 249+ employees) and SMB Partner Managed (where the customer has been acquired by an approved O2 SMB Partner and the Partner is the primary support channel). Customers are provided with multiple interactive service channels – voice, webchat, online help & support and My O2 Business which provides reporting and account changes. SMB customers also have email support.

Wholesale Fixed
Our wholesale fixed portfolio consists of core connectivity, dedicated fibre products:

- Dark Fibre – unlit fibre sold via operating lease, sales type lease or indefeasible rights of use (**IRU**);
- High Capacity Services – national or local optical services of 10Gbps or higher;
- Ethernet Services – national or local ethernet services from 10Mbps to 10Gbps;
- Dedicated Internet Access – from 10Mbps to 10Gbps.

Partner relationships are key to customer experience and is a crucial part of the Wholesale Fixed business' success in terms of the way we do business and perform. Each partner is served through an account manager and partner success manager, supported with sales engineers and commercial managers.

Wholesale product key supplier partners are Alcatel, Ciena and Infinera for network equipment supply and Nokia for design, build and deploy professional services. For each supplier partner a Partner Manager is assigned to own the primary relationship, and is responsible for monitoring partner performance and continuous improvement of partner performance through formal partner reviews.

Our "UltimateFlex" contracting method is an industry first entirely flexible dedicated fibre service with 30 days cancellation after 90 days of service and price benchmarking to ensure it is never above the prevailing market rate. This is our primary contracting method for Ethernet Services.

Wholesale Mobile
MVNO
We are the leading wholesale provider in the UK in terms of the number of MVNO subscribers, including Tesco Mobile and Sky Mobile. We provide wholesale MVNO partners access to our mobile network and infrastructure which enables MVNOs to provide mobile telecoms services to their customers. Through these arrangements, we seek to expand our reach across the UK telecoms market and access additional complementary customer groups, including loyal Tesco customers (such as Tesco Clubcard holders) through the joint venture with Tesco. In 2023, MVNO connections declined due to a loss of a customer in Q2, offsetting growth in connections from other customers.

a) Tesco Mobile
Tesco Mobile is a 50:50 joint venture (**Tesco Mobile JV**) between certain subsidiaries of Tesco and VMED O2, providing mobile services in the UK. The business has grown and developed, and is now the largest MVNO in the UK in terms of mobile subscribers, offering a full range of pre-pay and post-pay mobile services (both SIMO or with a handset). Tesco Mobile offers its services and products across multiple channels, including through extensive national store coverage as part of Tesco stores, together with telesales and online sales.

b) Sky Mobile
Sky, the largest UK pay-television broadcaster, entered into an exclusive, multi-year MVNO agreement with the O2 business in 2015, allowing Sky to offer mobile services in addition to the fixed-line telephony, fixed-line broadband internet and television services that it already offered to its customers. Our MVNO agreement with Sky was extended on a long-term basis in 2021.

Messaging and Payments
Under the O2 brand, we enable businesses to expand their digital sales beyond debit or credit cards through taking payments by means of a charge to the customer mobile bill.

We help businesses engage with their customers and employees by enabling them to send automated text messages.

IoT
We offer IoT products and services (which includes activities sometimes referred to as M2M) which provide automated data communications between devices (including vehicle fleets, payment terminals and traffic lights) via our mobile network, to help businesses reduce costs and grow revenue through greater convenience and improved customer experience.

Smart Metering
In 2013 the Department for Business, Energy and Industrial Strategy of the UK government awarded O2 a 15-year contract initially worth approximately £1.5 billion to deliver communications services (including the supply of communication hubs) to homes in the central and southern regions of the UK as part of the SMIP. SMIP has been rolling-out millions of gas and electricity smart meters across the UK to help reduce energy usage and CO_2 emissions by providing greater visibility of energy consumption. We are a core communications service provider within SMIP and the programme is a key part of the UK's drive towards a low carbon economy and supports the goal of the UK being carbon neutral by 2050.

Networks

High quality connectivity is part of our core strategy, and we continue to future-proof ourselves through evolution of our fixed and mobile networks. Our fixed network footprint covers 17 million homes serviceable as of 31 December 2023, over 16 million of these are passed by us, with the remainder primarily owned by nexfibre. Our mobile network provides 2G, 3G, 4G and 5G mobile services, through our own network brands and also to MVNO operators.

Fixed Network
Our fixed network is entirely Gigabit-capable and we deliver broadband internet, video and fixed-line telephony services to the end customer over a mix of technologies, with this evolving over time. In the Hybrid-Fibre-Coax (**HFC**) zones, there is considerable spectrum and associated bandwidth capabilities using Data Over Cable Service Interface Specification (**DOCSIS**) 3.0 and DOCSIS 3.1. As of 31 December 2023, we offered download speed tiers up to 1.1Gbps for consumers, and 1.0Gbps for business customers.

Fibre Upgrade
We are upgrading our gigabit fixed network to XGS-PON technology. XGS-PON is capable of symmetrical upload and download speeds, meaning customers will have the ability to upload as quickly as they download, with potential speeds of up to 10Gbps. In addition to this, XGS-PON fibre networks are easier to maintain, more reliable and,

because we're using a passive optical network, the rates of energy consumption will be lower than on our HFC network. This will help us towards our net zero plan to make things better for customers, communities and the planet. The programme gained significant traction in 2023 and will continue to evolve, driving further efficiency and optimisation into the build process moving forward.

Network Expansion

Alongside the fibre upgrade of our own network, we also rolled out XGS-PON fibre to 833,100 additional homes serviceable in 2023, primarily on behalf of nexfibre. nexfibre is creating an XGS-PON FTTH network to 5 million homes not covered by our existing network, with the option for an additional 2 million homes. We are the anchor tenant in the agreement, as well as providing our well-established network expansion expertise to nexfibre, including construction, IT, technology and corporate services. Combined with our own fibre upgrade, we will have access to a fibre footprint of up to 23 million homes once both programmes complete.

In September 2023, we acquired a regional fibre network, Upp, as part of a back-to-back agreement that will see nexfibre ultimately fund the acquisition. We are currently progressing with completing Upp's build in progress; integrating and aligning Upp's fibre network and systems; and offering Upp customers a wide range of Virgin Media O2 services. nexfibre will then acquire the network assets, equating to approximately 175,000 fibre premises.

Mobile Network

We operate a mobile access network based on 2G, 3G, 4G and 5G standards.

As of 31 December 2023, we had 99.8% population coverage (outdoor) and 98.6% population coverage (indoor) on our 4G network, as well as 89.7% 4G geographic (landmass) coverage.

As we continue to evolve to 5G, as of 31 December 2023, we had 51.1% 5G outdoor UK population coverage, meeting our target of 50% outdoor UK population coverage by the end of 2023.

Network Development and Spectrum Management

In addition to our 5G rollout, we have also continued to focus on network reliability and providing a consistent 4G connectivity experience for our customers. To keep pace with our customers' demands, we have added additional 4G capacity to around a quarter of separate UK postcodes during 2023. We have primarily achieved this through spectrum refarming (re-using our 2G and 3G spectrum on our 4G network) (see "Licences and Frequencies" on page 17 for further information).

In September 2023, we announced our intention to begin to switch off 3G services in 2025 to help enhance customer experience. This will enable us to further expand and upgrade 4G and 5G connectivity, reduce energy consumption to support our net zero targets and deliver enhanced speeds and reliability for customers. It follows the Government and industry's joint statement in December 2021 that all UK MNOs will switch off 2G and 3G by 2033 at the latest, with our switch off taking place in phases across 2025.

Each MNO has a Wireless Telegraphy Act licence requirement to deliver high-quality 4G geographic coverage to at least 90% of the UK landmass by January 2027, supporting the objectives of the Shared Rural Network (**SRN**). As part of the partial not-spots (**PNS**) element of the SRN, each operator has a target to provide 88% 4G landmass coverage across the UK by June 2024. We continue to invest and deliver these upgrades at pace and we expect to either meet or come very close to meeting our own individual target. We are in regular discussions with Government and industry, and remain committed to delivering the full benefits of the SRN as soon as possible.

The Future of Connectivity

We have brought our customers new ways to connect through Low Power Wide-Area Network (**LPWAN**) solutions. We started to roll out Long Term Evolution for Machines (**LTE-M**) in 2020 and now have 78% of our 4G sites enabled with the technology. We also continue to rollout Narrowband Internet of Things (**NB-IoT**) technology across our network.

LPWAN, like LTE-M and NB-IoT, are designed to allow long-range communications at a low bit rate between connected things. They have a wider coverage area and devices are more energy efficient with longer battery lives as well as significantly reduced cost than traditional cellular devices, making them massively scalable. These networks are ideal for providing IoT connectivity, even in hard-to-reach locations like rural areas and underground.

We continue to collaborate with the Department for Science, Innovation and Technology (**DSIT**) and other industry bodies and technical experts to carry out a number of 5G tests and trials. For example, "Snowdronia" is a trial to help procure and develop a flying Mobile Network for a mountain rescue use case, where a long duration drone could provide connectivity in Snowdonia, to help locate and speak to missing people.

New Ways of Operating

Historically, Radio Access Network (**RAN**) radios, hardware and software all came from the same vendor. However, in the future these network building blocks will originate from a greater choice of vendors, which will increase competition and provide flexibility within the supply chain. This should change the pricing model to benefit us and customers by enabling deployment in areas which are currently not cost effective, while promoting innovation, as more players can more easily enter the market improving customer experience.

Network Sharing Arrangement with Vodafone

We have a long-standing network sharing arrangement with Vodafone under which we share our collective mobile sites to form a single, national grid across the whole of the UK and active equipment, such as radio antennae, on joint network sites in certain parts of the UK. The network sharing arrangement has two distinct elements: an active RAN share and a passive infrastructure share.

The active RAN share component involves sharing of our and Vodafone's 2G, 3G, 4G and 5G networks (except in London and certain other major cities). The shared network is managed by each party separately based on a geographical split: we are responsible for managing the active component of the shared network in the Eastern half of the UK, Northern Ireland, most of Scotland and North London, and Vodafone is responsible for managing the active component of the shared network in the Western half of the UK (including Wales) and South London.

In addition, through our joint operation Cornerstone Telecommunications Infrastructure Limited (**CTIL**), we are able to access a wide footprint of mobile network infrastructure. As of 31 December 2023, we had access to a network of approximately

20,000 macro mobile sites through CTIL, including over 15,000 through the network sharing partnership with Vodafone. This includes base stations (connecting handsets to our mobile network using available spectrum), backhaul, the core network (composed of data centres which store customer information and location and switching sites which route voice calls and data to their intended destination) and a service layer (which provides messaging and voicemail capabilities).

On 15 November 2023, we sold a 16.67% minority stake in CTIL to the infrastructure fund GLIL Infrastructure LLP (**GLIL**) for which we received £359.5 million as cash consideration. The sale was structured through VMED O2 Networks Limited, a subsidiary undertaking of VMED O2, which continues to own the 50% share of CTIL. GLIL purchased 33.3% of VMED O2 Networks Limited with VMED O2 owning the remaining 66.7%. VMED O2 continues to proportionally consolidate VMED O2 Networks Limited, but recognises a non-controlling interest for the proportion of results attributable to GLIL.

Licences and Frequencies

Although no licence or authorisation is required to operate a telecommunications network or provide a telecommunications service in the UK, operators must obtain a licence under the Wireless Telegraphy Act 2006 in order to use radio frequency spectrum. Spectrum licences are currently divided between the four MNOs active in the UK mobile telecommunications service market, with approximately 22% licensed to VMED O2. Our spectrum licences are effective until revoked by Ofcom or surrendered by us.

Summary of VMED O2's spectrum holding:

Frequency Band Megahertz (MHz)	Spectrum Amount Held (MHz)
700 Frequency Division Duplex	20
800 Frequency Division Duplex	20
900 Frequency Division Duplex	34.8
1,800 Frequency Division Duplex	11.6
2,100 Frequency Division Duplex	20
2,300 Time Division Duplex	40
2,600 Time Division Duplex*	20
3,400 Time Division Duplex	40
3,600 Time Division Duplex	40

*Excludes 5MHz of spectrum not useable for macro purposes

Integrating Our Networks

Combining our networks together means we can generate synergies between them and maximise the value of our investments, while being more efficient and improving the service for all of our customers.

We are evolving our fixed and mobile networks to create a smarter, faster and more efficient converged network that will ultimately change the way society functions. Our continuing investments now are ensuring our networks are fit for the future: Simple, Reliable, Efficient, Future Focused, and Customer First. We are challenging historic business models to imagine a more efficient future; bringing connectivity to customers in new and innovative ways.
Our Core network transformation is key to our mobile and fixed networks coming together. It will move customers away from the older equipment onto a new converged Core - consolidating our networks to create efficiencies and reducing costs. We are not only significantly evolving existing parts of our Core network, we are also adding new applications and functions that did not exist before which will ultimately become the foundation of future services. While these important upgrades are being introduced, we are also remaining focused on the basics so that we continue to deliver great service and minimise any disruption for our customers.

Through the year we have grown the synergy benefits of the merger. A key driver of the increase has been our ability to provide a faster and improved mobile data experience to customers by boosting backhaul pipes, by a multiple of 10 times, through use of our fixed networks. Our DOCSIS network also provides faster backhaul for our small cell network, by extending the capacity of the pipes. We're also leveraging our fixed network's infrastructure to host mobile equipment too, such as by adding small cells to the fixed networks cabinets, enabling us to improve our coverage footprint.

Network Awards

In 2023, we continued to win awards for both our mobile and fixed networks. Our customer experience focus was shown at the uSwitch awards as O2 retained the 'Most Popular Mobile Network' award, while Virgin Media was named the 'Most Popular Broadband Provider'. The speed and quality of the fixed network was shown at the Umlaut awards, with Virgin Media winning the 'Best in Test', 'Best rated user download speed' and 'Best rated user upload speed' awards.

Sales and Distribution

As part of our offering of a comprehensive range of products and services, we utilise a diverse array of sales channels. These channels include inbound and outbound telesales, customer care centres, a nationwide field sales force, and digital platforms accessible through our online presence and dedicated mobile applications.

Retail Stores

As of 31 December 2023, we had over 300 stores in the UK, of which approximately 60 were franchise stores. These stores trade under the O2 brand but Company stores also sell fixed-line services including our Volt bundles. In September 2022, we took a decision to end our franchise relationships, bringing many stores into Company ownership. In 2023, we progressed our refurbishment programme to enhance customer experience in these stores and offering new recruitment opportunities, for impacted employees. We remain committed to working with, and supporting, franchise owners and franchise employees through the closure programme.

Online and Digital Applications

Our online sales take place through our Virgin Media O2, Virgin Media and O2 websites, in addition to our My Virgin Media and My O2 customer apps. These digital platforms take a strategic and growing role in our distribution strategy.

Telesales and Customer Care

We provide customer care and telesales through both our own and outsourced call centres in the UK, Philippines, India, South Africa and

Mauritius. We are currently integrating customer services across Virgin Media and O2, enabling customers to access help quickly and easily across both mobile and fixed products in one place, with a 'right first time' model implemented with partners.

Field Sales

We engage in direct face-to-face marketing initiatives through a dedicated national sales force for our fixed-line services.

Indirect Sales Channels

Our consumer business utilises several indirect partners for sales and distribution, mobile pay monthly trading partners include AO.com and A1 Comms. Mobile prepaid trading occurs via several SIM distributors including Elite, Core Communications and GK Telecom who ensure national coverage in a broad range of end distribution outlets, and retailers such as Tesco and Argos, giving us presence in some of the largest retailers in the UK.

Sales and Distribution Strategy

As part of our plan to further digitalise of our business, we have developed a robust channel strategy. This proposed channel mix necessitates adjustments to the roles and functions of our current physical channels, aligning them with our digital strategy. The transition will be gradual, leading us toward the eventual adoption of two key strategic channels, with digital platforms taking a significant share in customer acquisition and ongoing interactions. Our retail stores will evolve to play a pivotal omni-channel role, focusing on providing services and advisory support rather than direct sales. To enable this transition, we will optimise our existing voice channels, which encompass inbound and outbound telesales as well as customer care centres, these will undergo refinement to improve efficiency. Additionally, we will re-evaluate our sourcing strategy within these areas to ensure the best return on investment and to drive improvements in the overall customer experience. Our field sales force will increase focus on our nexfibre penetration.

Brands and Marketing

We operate a portfolio of brands including O2, Virgin Media and giffgaff. We have phased out the Virgin Mobile brand as a customer facing brand, but retain the option to use this brand in the future should we choose to. We engage in marketing activity to promote our brands and products to new and existing customers across a wide range of media and owned channels including television, radio, print, outdoor, direct mail, digital, social, SMS, MMS and email, as well as engaging customers through our websites and apps. Our strong brand portfolio supports our trading and business performance, helping to attract, grow and retain our different target customer groups. We also have an interest in Tesco Mobile through our Tesco Mobile JV.

Virgin Media O2 Brand

Virgin Media O2 is the brand for the Joint Venture. It is our corporate brand and also used when communicating joint consumer and business facing propositions or touch point experiences. Our converged Volt proposition provides exclusive benefits for being with both Virgin Media and O2.

Virgin Media Brand

Virgin Media is a leading UK broadband and entertainment brand, recognised for delivering fast and reliable broadband connectivity in the UK, as well as providing video and fixed-line telephony services. We are rapidly extending our fibre network and footprint, so even more households can benefit from Virgin Media services. Our WiFi Guarantee offers download speeds of at least 30Mbps in every room or money back, and we also offer an innovative internet protocol television (**IPTV**) solution, Stream.

O2 Brand

O2 is a leading mobile brand in the UK, recognised for putting customers first and offering customers unique rewards and experiences, underpinned by O2 Priority rewards and Priority tickets. O2 has launched differentiated customer-centric propositions to enable customers to roam freely across the EU, and to Switch Up to a new phone every 90 days.

giffgaff Brand

giffgaff is a wholly owned MVNO with a unique brand positioning as the mobile network that is 'up to good'. Its community of members play a central role in defining its propositions, promoting giffgaff to new members and supporting existing members. giffgaff has successfully broadened its proposition and appeal by extending into the pay monthly market and is B Corp certified.

Sponsorships

We generate significant brand and customer benefits through our portfolio of sponsorship agreements. O2 has long-standing relationships with AEG (sponsoring The O2, which is one of the leading entertainment venues in the world), LiveNation (Priority tickets and 20 iconic O2 Academy venues across the UK), and the Rugby Football Union (lead sponsor for England Rugby) which generate significant media value and underpin Priority tickets for our customers. We have extended our rights at the O2 to enable to launch the Virgin Media Gamepad and plan to extend our activities in gaming. Additionally, we have extended sponsorship and other brand partnerships so that Virgin Media customers can also benefit from access to O2 Priority offers, unique experiences and Priority tickets.

Intellectual Property Rights

The "O2", "O2 Refresh" and "Priority" brands and related rights are licensed by Telefónica through its subsidiary, O2 Worldwide Limited, to Telefonica UK Limited, and VMED O2 for use in the UK under two indefinite trademark licences. These trademark licences may be terminated in certain circumstances.

The "giffgaff" brand and trademarks are owned by Telefonica UK Limited. The "Tesco Mobile" brand is owned by Tesco Stores Limited and licensed to the Tesco Mobile JV.

Virgin Media owns or has the right to use patents, copyrights and registered trademarks, which in some cases are, and in other cases may be, of material importance to our business. This includes the exclusive right to use the "Virgin" name and logo under licences from Virgin Enterprises Limited in connection with our corporate activities and the activities of our consumer and business operations. These licences are exclusive to us within the UK, Northern Ireland, the Isle of Man and Channel Islands.

Customer Service

We commit to treating our customers fairly, providing clear and transparent information about the products and services we offer, including associated fees and charges. Customer satisfaction is essential to our long-term success and putting our customers first is, more than ever, a foundational strategic priority for our organisation. Our large customer bases have broad sets of needs and expectations, that we understand more than ever through research and data analytics. We remain absolutely focused on meeting and exceeding customers expectations as the household economic outlook continues to prove challenging.

In order to effectively manage customer credit risks, we have a series of business acceptance procedures including identity verification, credit and fraud checks, and affordability assessments. We also have collections policies in place to ensure that customers who are struggling to make payments are treated fairly. Our arrears management process follows the general principles of treating customers as individuals, contacting customers at the earliest opportunity, focusing on achieving the best outcome for the customer and being aware of customer vulnerabilities. We have embedded a culture of 'do the right thing' by the customer and have effective systems and controls in place to ensure the customer is being treated fairly whilst in financial difficulty, and throughout the arrears management process. We also support the UK Government's Debt Respite scheme, otherwise known as "Breathing Space", across our operations.

IT Systems and Security

We operate a large-scale IT estate and portfolio to support our customers, including cyber security measures to mitigate risks to our business against impacts on services, data loss, data integrity, data accessibility and fraud. We do this through proactive planning, preventative measures and maintaining awareness of the threats we face as an organisation. We use a range of tools to identify vulnerabilities in our platforms and systems, and deploy systems, tools and analytics to promote the security of our network.

We continue to recognise cyber security as one of our greatest areas of risk. See "Risk Factors" on page 37 for further information.

Property and Leases

We own or lease the fixed assets necessary for the operation of our businesses, including office space, retail stores, transponder space, head-end facilities, rights of way, cable television and telecommunications distribution equipment, telecommunications switches and customer premises equipment (**CPE**), technical sites, mobile sites and other property necessary for our operations. VMED O2 leases its registered offices in Reading, United Kingdom.

As of 31 December 2023, our mobile network consisted of approximately 20,000 macro mobile sites, including over 15,000 through the network sharing partnership with Vodafone. See "Networks" on page 15 for further information.

As of 31 December 2023, our business operated through over 400 Technical Sites (some with ancillary office facility), 7 major Corporate Office sites, and over 300 stores (of which approximately 250 are Company owned).

Insurance

We maintain insurance coverage in line with good industry practice as well as meeting all UK legal insurance requirements. We are insured for, amongst other things but not limited to, material damage and business interruption, crime and cyber risk, corporate/general/public liability, products liability, property damage, environmental liability, technology media, errors and omission, terrorism, patent infringement, pension trustee liability, motor fleet insurance, personal accident and travel, UK warehouse, Marine and Airside, employer's liability, and directors' and officers' liability.

Employees

As of 31 December 2023, we had approximately 15,700 employees in the UK. Approximately 3,500 employees are represented by two trade unions, The Communications Workers Union and Prospect, with whom we believe we have positive working relationships. The remaining employees are not covered by collective bargaining or recognition agreements, and for employee consultation purposes, we work with and recognise an internal employee forum, Employee Voice, the representatives of which are nominated by employees, to provide feedback and representation to the rest of the organisation.

Competition

We face intense competition from a variety of entertainment and communications service providers, which offer broadband internet, video, fixed-line telephony and mobile services. Technological advances and product innovations have increased, and are likely to continue to increase, and the number of alternative providers available to our customers has grown which has intensified the competitive environment.

The Joint Venture has created a strong competitor with significant scale and financial strength to invest in UK digital infrastructure and give millions of consumer, business and public sector customers more choice while providing value for money.

We offer most of our products on a stand-alone basis or as part of bundled packages designed to encourage customers to subscribe to multiple services. We offer broadband internet, video and fixed-line telephony services to residential users exclusively in areas served by our fixed-line network. We also offer broadband internet, data services, fixed-line telephony and mobile telephony and data services to business users throughout the UK, using both our own network and wholesale inputs from other providers. Our primary competitors are BT (including EE), Sky, TalkTalk, Vodafone and Three.

We believe that our deep-fibre access provides us with several competitive advantages in the areas served by our network. For instance, our fixed-line network allows us to concurrently deliver internet access, together with real-time video and digital cable-on-demand content at high speeds. Our competitors are typically reliant on the access infrastructure of the UK's incumbent telecommunications provider, BT, which in the past typically relied on copper-pair technology from the local exchange to the customer's home. Now, BT is upgrading its infrastructure to provide data services capable of higher speeds, using FTTP technology, which delivers the highest available data speeds to customers homes with high reliability. Although BT can now match the speeds delivered by our HFC network in some areas, we are in the process of upgrading our own network to FTTP, and expanding our fibre footprint into new areas via nexfibre.

Recently, increased competition has also come from alternative networks (**Altnets**), such as CityFibre, offering retail and ISP customers high speeds at competitive prices. However, a key competitive advantage over these challengers is our ability to bundle services of broadband internet, video, mobile and fixed-line telephony services. In serving B2B customers, many aspects of the network can be leveraged at very low incremental cost given that B2B demand peaks at a time when residential consumer demand is low, and peaks at lower levels than residential consumer demand. As such, we believe we have an advantage over other providers who serve either residential or B2B customers, but not both.

In the mobile telephony sector, we face direct competition from MNOs, such as BT (through its wholly-owned subsidiary, EE), Vodafone and Hutchison 3G UK Limited (which operates in the UK as Three), and from MVNOs. We also compete with fixed-line telephony operators, with companies offering VoIP services, and from the growth in online communication.

Broadband Internet

We have a number of significant competitors in the sector for broadband internet services. Of those competitors, BT (including EE) is the largest retail provider, serving approximately 33% of the total number of broadband internet customers in the UK in 2022, with Virgin Media serving approximately 20% (Source: Ofcom Communications Market Report, 2023).

BT provides broadband internet access services to both its own retail arm and third-party retail providers over its own Openreach network, using a mixture of DSL (copper network-based) technologies and FTTP. Recently, BT has focused its efforts on rollout of an FTTP service supporting 1+Gbps to homes and businesses, with a target of 25 million premises by the end of 2026. In pursuit of those objectives, BT offers “superfast” (30Mbps or faster) and “ultrafast” (300Mbps or faster) consumer packages offering average download speeds ranging from 37Mbps to 1.6Gbps, using a combination of Gfast and FTTP technology, the latter being available to 13 million UK homes as of 31 December 2023.

Operators such as Sky and TalkTalk deploy their own network access equipment in BT exchanges via a process known as local loop unbundling (**LLU**). This allows an operator to reduce the recurring operating costs charged by BT by reducing the proportion of traffic that must travel directly over BT’s network. LLU deployment requires a substantial capital investment to implement and requires a large customer base to deliver a return on investment.

In addition to the competition and pricing pressure in the broadband internet market arising from LLU, we may be subject to increased competition in the provision of broadband internet services from mobile internet and technological developments (such as long-term evolution (**LTE**) and 5G mobile technology) and other wireless technologies, such as WiFi and Worldwide Interoperability for Microwave Access. For example, each of the four UK MNOs have over 92% 4G UK indoor population coverage (Ofcom’s data as of April 2023).

Video

We are the largest cable television provider in the UK in terms of the number of video customers. Our digital television services are available to approximately 56% of UK households (based upon external estimates for the number of UK homes). Our digital television services compete primarily with those of Sky and BT. Sky is the primary pay satellite television platform in the UK. Sky owns the UK rights to SD, HD and UHD/4K versions, as the case may be, of various sports and movie programming content, and is both our principal competitor in the pay-TV market and an important supplier of basic and premium television content to us.

BT has a joint venture with Warner Bros. Discovery Sports Europe, which led to the launch of TNT Sports in July 2023, previously branded as BT Sport. TNT Sports holds the rights to certain Premier Leagues matches until 2029, and additionally holds rights to the UEFA Champions League and the UEFA Europa League until 2027. TNT Sports is available via BT’s IPTV platform, Sky’s satellite system and IPTV systems, and our network. Sky also hold rights to a significant range of sports content broadcast on Sky Sports, including the largest number of Premier League matches until 2029. Virgin Media customers also have access to Sky Sports for a monthly fee.

Content owners, online aggregators and television channel owners are increasingly using broadband internet as a new digital distribution channel direct to consumers.

Residential customers may also receive digital terrestrial television (**DTT**), which is delivered to customer homes through a conventional television aerial and a separately purchased set-top box or an integrated digital television set. The free-to-air DTT service in the UK is called “Freeview”. This service is provided by a consortium of operators, including the BBC.

The BBC and ITV also offer a free-to-air digital satellite alternative to Freeview service, known as “Freesat”. Freesat offers more than 100 subscription-free television channels, including selected HD channels such as BBC 1 HD, ITV HD and Channel 4 HD. Freesat also offers a range of satellite boxes offering access to catch-up television services under the brand Freetime and a range of digital video recorders under the brand Freesat+.

Residential customers may also access television content by means of IPTV. BT TV, a combined DTT and video on demand service offered by BT over a DSL broadband connection, is available throughout the UK. Sky also offers live streamed television and services over a broadband internet connection, through its Sky Glass product, as well as Sky On Demand, Sky Go and NowTV services. In addition, Netflix, Amazon, Google, Apple and others launched IPTV products. “Britbox” is an online digital video subscription service founded by ITV and the BBC, which contains archive material as well as some newly commissioned content.

The communications industry is constantly evolving and there are a number of new and emerging technologies which can be used to provide video services that are likely to compete with our digital cable and digital cable-on-demand services. These include the DSL services mentioned above and next-generation LTE services. We expect continued advances in communications technology and in content, such as an increasing adoption of UHD.

VoIP

We face competition from companies offering VoIP, services using the customer’s existing broadband, mobile data and WiFi connections. These services are offered by independent providers, such as WhatsApp and Skype, as well as those affiliated with established competitors, such as BT. These services generally offer free calls between users of the same service, but charge for calls made to fixed-line or mobile numbers either on a flat monthly rate for unlimited calls (typically restricted to geographic areas) or based on usage.

Mobile

Our primary competitors in the mobile sector are the MNOs EE, Vodafone, and Three. We additionally face significant competition from MVNOs, such as Tesco Mobile, Sky Mobile, and iD Mobile Ltd. Two of our key mobile competitors – Vodafone and Three – have agreed to merge UK operations, subject to regulatory approval. We face intense competition in the mobile retail sector, which is primarily driven by increased pricing pressure from both established and new service providers, evolving customer needs and technological developments.

We use our O2 brand to differentiate through a simple and personal customer experience, building trust with our customers to maintain a low churn rate, with O2's monthly contract churn at 1.0% in 2023. Our partnerships allow us to give our customers access to unique experiences and rewards through Priority.

We maintain a reliable network and are one of the top networks of choice for the UK's largest MVNOs, including Sky Mobile and Tesco Mobile (our 50:50 joint venture with Tesco). Our wholly owned sub-brand giffgaff gives us broader market reach by addressing a segment of younger and more digitally-engaged customers. We are uniquely positioned to leverage our portfolio of brands to provide market coverage.

5G mobile coverage continues to grow in the UK. In the most recent Ofcom "Connected Nations" report, with mobile coverage data as of April 2023, our 5G outdoor coverage was 44%, compared to 65% for EE, 61% for Three, and 48% for Vodafone. As of 31 December 2023, we had increased our 5G outdoor population coverage in the UK to 51%.

Business

The UK business telecommunications industry is characterised by strong competition and ongoing consolidation. Competition in the UK business telecommunications market continues to be value driven, with the key components being quality, reliability and price.

We compete primarily with traditional network operators such as Vodafone and BT. BT represents the main competition nationally due to its network reach and product portfolio. We also compete with communications providers such as Daisy Group and Gamma Communications, which offer ICT services. Recently, we have faced increasing competition from alternative network providers such as CityFibre and Neos Networks.

In the retail sector we continue to focus on small, medium and large nationally oriented businesses and public sector organisations.

Legal Proceedings

From time to time, we have become involved in litigation relating to claims arising out of our operations in the normal course of business. Mobile, broadband internet, video and fixed-line telephony businesses are subject to significant regulation and supervision by various regulatory bodies in the UK. Adverse regulatory developments could subject our businesses to a number of risks. Regulation, including conditions imposed on us by competition or other authorities as a requirement to close acquisitions or dispositions, could limit growth, revenue and the number and types of services offered, and could lead to increased operating costs and property, plant and equipment additions. In addition, regulation may also restrict our operations and subject them to further competitive pressure, including pricing restrictions, interconnect and other access obligations, and restrictions or controls on content, including content provided by third parties. Failure to comply with current or future regulation could expose our businesses to various penalties.

In addition to the foregoing items, we may have contingent liabilities related to matters arising in the ordinary course of business including (i) legal proceedings, (ii) issues involving Value Added Tax (**VAT**) and employment, property, withholding and other tax issues and (iii) disputes over interconnection, programming, copyright and channel carriage fees. While we generally expect that the amounts required to satisfy these contingencies will not materially differ from any estimated amounts we have accrued, no assurance can be given that the resolution of one or more of these contingencies will not result in a material impact on our results of operations, cash flows or financial position in any given period. Due, in general, to the complexity of the issues involved and, in certain cases, the lack of a clear basis for predicting outcomes, we cannot provide a meaningful range of potential losses or cash outflows that might result from any unfavourable outcomes.

Disclosure Requests

O2 has been addressing a request for disclosure made by governmental authorities related to possible violations of anti-bribery laws and regulations. O2 continues to cooperate with the governmental authorities investigating this matter, which is still ongoing. It is not possible at this time to predict the full scope or duration of this matter or its eventual outcome.

Phones 4u. Legal proceedings were issued in the High Court against O2 by the Administrators of Phones 4u. The trial of this case in the High Court took place in Spring / Summer 2022. Judgment was handed down in November 2023. The Court rejected all of Phones4u's claims. Phones4u are now applying to the Court of Appeal for permission to appeal the First Instance decision. The Court of Appeal's decision on this permission application is pending.

Class action regarding alleged combined handset and airtime charges overpayment. In December 2023 we received a claim brought against Telefonica UK by an individual acting as a proposed class representative. The same individual is bringing similar claims against the other three mobile network operators. These claims are brought in the Competition Appeal Tribunal. It is alleged in these claims that customers with combined handset and airtime contracts have been overcharged when their handset minimum term contract expired. The claimant assesses the value of the claim against Telefonica UK at £256.0 million and as against the four mobile network operators at £3.3 billion. Discussions regarding the claims are preliminary and there are various procedural stages to be completed before the matter may proceed. We intend to vigorously defend this matter.

Regulatory Matters

Legislative Framework

The Communications Act 2003 and the Wireless Telegraphy Act 2006 are the primary sources of communications regulation in the UK. A final EU legislative package, the European Electronic Communications Code (the **EECC**), was transposed into UK law in 2020 prior to the withdrawal of the UK from the EU.

The Communications Act 2003 primarily seeks to develop open markets for communication services including the establishment and operation of electronic communication networks, including mobile, fixed broadband, cable television and traditional telephony networks, and the offer of electronic communication services, such as telephony (including OTT services), internet and, to some degree, television services. It includes a number of provisions aimed at providing incentives to boost private sector investment in very high-capacity networks. The Communications Act 2003 does not generally address content matters, including radio and television programming, which are specifically regulated by the EU's Audiovisual Media Services (**AVMS**) Directive which was also transposed into UK law in 2020 as the Audiovisual Media Services Regulations 2020.

The Wireless Telegraphy Act 2006 regulates radio communications in the UK including spectrum licensing arrangements, usage conditions and charges, licence bidding and trading and enforcement and penalties.

In addition, the Privacy and Electronic Communications Regulations 2003 (as amended) implemented EU Directive 2002/58, which regulates the processing of personal data and the protection of privacy in the electronic communications sector.

Telecommunications companies in the UK, including VMED O2, are also subject to regulation under the UK Broadcasting Acts 1990 and 1996 and other UK statutes and subordinate legislation, including the Competition Act 1998, the Enterprise Act 2002 and the Enterprise and Regulatory Reform Act 2013. Ofcom regulates both linear and on-demand programming, with regulatory requirements derived from the AVMS Directive.

In November 2021 the Telecommunications (Security) Act was passed, which introduces a regime for identifying and removing "High Risk Vendors" from the networks of UK networks, as well as increasing security and resilience requirements (Telecoms Security Requirements) through amendments to the Communications Act 2003.

UK Regulatory Authorities

Ofcom is the key regulatory authority for the communications sector in which we operate in the UK. It is responsible for furthering the interests of citizens in relation to communications matters and furthering the interests of consumers, in relevant markets where appropriate, by promoting competition. Ofcom is also responsible for regulating the BBC, a role previously undertaken by the BBC Trust. The UK Competition and Markets Authority (**CMA**) has jurisdiction with respect to competition matters.

Regulation of Electronic Communication Services

In order to operate in the telecommunications sector in the UK, a provider must comply with general conditions imposed by Ofcom. These general conditions cover a broad range of issues including interconnection standards, number portability, deployment of telephone numbers, access to emergency services, sales and marketing standards and general consumer protection measures. Any breach of these general conditions could lead to the imposition of fines by the national regulator and, ultimately, to the suspension or revocation of a company's right to provide electronic communications networks and services. There is no operating licence regime in the UK.

Ofcom also undertakes regular reviews of the various economic markets within the telecommunications sector to establish whether any provider has "Significant Market Power", as defined by the Communications Act, warranting the imposition of remedies.

General Conditions of Entitlement

In addition to general consumer protection law obligations, various provisions of the General Conditions also provide specific protections to end-users (which includes residential and business consumers with up to ten employees) in the telecommunications sector. Under the General Conditions, all telecommunications operators must make available clear and up-to-date information on their prices and tariffs, and on their standard terms and conditions in respect of access to and use of their publicly available telecommunications services. The General Conditions also require certain information to be provided to end-users in contracts, at the point of sale and directly at the end of those contracts and periodically thereafter, impose a maximum telecommunications contract length of two years and set conditions for termination of the contract.

In addition, every telecommunications operator in the UK must provide access to a dispute resolution procedure scheme for their residential and small business customers. There are two Ofcom-approved dispute resolution schemes (namely, Ombudsman Services and the Communications and Internet Services Adjudication Scheme) to whom consumers may complain. We currently use Ombudsman Services to comply with its dispute resolution obligations.

The implementation of the EECC, which had a final compliance deadline for the majority of the provisions of April 2022, has enhanced the end-user protections set out in the General Conditions. These changes include, but are not limited to, new information required to be provided in the customer's contract and at the point of sale, new switching and porting requirements, limitations on the length and form of linked split contracts, and a lowered termination of contract thresholds for customers.

a) End-of-contract and Annual Best Tariff notifications

Providers are also required to provide residential and business customers with a notification as they approach the end of a fixed minimum term contract, alerting them to the fact that the minimum term is ending and setting out further information, such as the out of contract price and any alternative tariff options available. In addition, customers that are no longer subject to a fixed minimum contract term must, on an annual basis, be sent notifications of the best tariff that providers can offer. These annual notifications must set out the fact that the customer is no longer within their fixed commitment period pursuant to their contract, provide details of the service they are being provided and inform them of the best tariff options available to them.

b) Number portability

All telecommunications operators are required by the General Conditions to facilitate the porting of telephone numbers, including mobile telephone numbers. The Auto-Switch process enables customers with a single mobile number to simply text their existing provider which will provide a "porting authorisation code" (**PAC**) or "service termination authorisation code" (**STAC**) as requested within one minute. The customer is then responsible for giving the PAC or STAC to the new provider which must arrange for the switch to be completed within one working day. Auto-Switch rules for customers with multiple mobile phone numbers are slightly different, with longer timescales. All fixed line operators are required to comply with an updated, similar gaining provider led number portability regime during 2024.

Net Neutrality

Net neutrality is the principle that there should be no restriction on an individual's access to the networks that make up the infrastructure of the internet and no discrimination between the types and sources of data travelling across such networks. The EU Roaming Regulation codified the principle of net neutrality for the first time into EU law and has been subsequently supplemented by the Open Internet Access Regulation (Regulation (EU) 2015/2120) as implemented in the UK by the Open Internet Access (EU Regulation) Regulations 2016.

Ofcom concluded a review of the effectiveness of the UK's Open Internet Regulations in October 2023. This resulted in updates to its guidance and approach to enforcement which afford broadband internet and mobile providers some additional flexibility in the management and monetisation of their networks. Ofcom also highlighted some options for further, more substantive reform of the underlying legislation that government could undertake to give providers further flexibility, noting that there could be a case to move from inflexible, prescriptive rules to a principles based approach to better serve the rapidly evolving internet ecosystems.

Economic Regulation

Wholesale Fixed Telecoms Market Review 2021-2026

In March 2021, Ofcom published its statement on "Promoting investment and competition in fibre networks: Wholesale Fixed Telecoms Market Review 2021-26". Ofcom's intention is to encourage competition between different networks where viable and incentivise investment by giving regulatory certainty and allowing companies to make a fair return.

BT Openreach will continue to be required to allow all network operators to lay their own fibre networks using Openreach's infrastructure through its Physical Infrastructure Access (**PIA**) product. Ofcom has categorised areas of the country depending on the level of competition in those areas for the purposes of regulating residential broadband products. In both non- competitive areas (~30% of premises) and in potentially competitive areas (~70% of premises), BT Openreach will continue to be required to provide wholesale access to its network. In both areas, Ofcom is setting a flat, inflation-adjusted, regulated prices for Openreach's entry-level superfast broadband service which has a download speed of up to 40Mbps, but it will not regulate the prices of Openreach's higher speed services. In addition, Openreach will be able to charge more (£1.70 per month extra) for the 40Mbps service if it is delivered over full fibre and once certain build thresholds per exchange are met. Ofcom does not expect to introduce cost-based price controls in either area until at least 2031. Should Ofcom set cost-based prices in the future, BT Openreach will be allowed to keep the upside (returns in excess of its cost of capital) up to that point. In areas where competition is established Ofcom does not expect to regulate BT Openreach's broadband products.

Ofcom intends to regulate BT Openreach's wholesale business connections (or 'leased lines') in a similar way to residential broadband internet by varying its approach geographically to reflect the level of current or prospective competition and increasing charges in line with inflation. In non-competitive areas, BT Openreach will be required to provide dark fibre links at cost to support mobile network growth and business connectivity.

Interconnection and Access

Interconnection is the linking of telecommunications networks so that customers of one network can communicate with customers of another network. It is important from a regulatory perspective for a number of reasons, including: (a) elimination of the need for a customer to subscribe to multiple networks in order to be able to communicate with all other customers; and (b) without regulation dominant operators could hinder or eliminate competition by delaying interconnection, degrading the quality of interconnection, or charging high prices for interconnection (often referred to as termination rates). All operators of public telecommunications networks are required by the General Conditions to negotiate interconnection arrangements when requested. Although technically this is an obligation to negotiate rather than to provide access, Ofcom has the power to impose an access obligation on operators in the form of a Significant Market Power condition. All MNOs in the UK (including O2) have been found by Ofcom to have Significant Market Power in the market for mobile call termination (**MCT**) of voice calls on their networks, and are therefore subject to various Significant Market Power conditions. These conditions were last set by Ofcom in March 2021, with the prevailing rate as of 1 April 2023 set at 0.440 pence per minute (**ppm**). MCT rate caps will be updated annually on 1 April, based on inflation (Consumer Price Index (**CPI**) measured for 12 months as of 31 December, in the preceding year) plus X, with X specified as +2.4% (2024) and +1.5% (2025).

However, termination rates for calls originating outside the UK to be no more than the reciprocal termination rate charged by the relevant international telecoms provider for a call originating in the UK, or the MCT provider's domestic rate, whichever is the higher.

Similarly, Virgin Media has been designated as a provider with Significant Market Power on fixed voice termination services on its network. A price control of 0.0343ppm is in place across the same period as for MCT (2021-26), but with an inflation adjustment of CPI only.

Spectrum Licences

Although no licence or authorisation is required to operate a telecommunications network or provide a telecommunications service in the UK, operators must obtain a licence under the Wireless Telegraphy Act 2006 in order to use radio frequency spectrum. Spectrum licences are revocable under certain circumstances, including for a breach of contract or for a number of spectrum efficiency reasons with provision of five years' notice.

Spectrum licences for an agreed block of spectrum can be awarded by auction or through negotiation with Ofcom. However, Ofcom's policy has been to use auctions as the means of allocating spectrum. In particular, new radio spectrum becoming available and suitable for mobile technologies (e.g., 3G, 4G and 5G spectrum) has been allocated via spectrum auctions and use has been liberalised in some circumstances to enable spectrum originally allocated for a specific use to also be used for other technologies. In 2018, Ofcom completed a mobile spectrum auction pursuant to which licences were awarded in 2.3 GHz and 3.4 GHz bands suitable for 4G and 5G deployment. In 2020 Telefonica UK Limited acquired 25 MHz of 2.6 GHz spectrum from EE. In April 2021, Ofcom completed a mobile spectrum auction of the 700 MHz and 3.6 - 3.8 GHz bands, where Telefonica UK Limited acquired 20 MHz of paired 700 MHz spectrum and 40 MHz of 3.6 - 3.8 GHz spectrum. As part of the same auction, Telefonica UK agreed to trade holdings in the 3.4 - 3.8 GHz band with Vodafone in order to allow it to defragment its spectrum and create a contiguous block of 80 MHz in the same band. Finally, on 31 January 2024, we received a formal notice from Ofcom revoking a licence for 5MHz of TDD spectrum at 1909.9–1914.9 MHz. This spectrum was acquired by BT in 2000 as part of the 3G auction and has not been put into commercial use in our mobile network.

Broadband Internet Expansion and Universal Service

The UK government supports the market rollout of full fibre and 5G services. Such support includes public funding for fixed broadband network deployment where commercial deployment is uneconomic, business rate relief for the deployment of new full fibre networks and public funding for a strategic programme of full fibre and 5G trials. In the second half of 2019, the UK government set out its ambition for all premises to have access to a gigabit capable service by the end of 2025. To facilitate this, it announced a gigabit capability public fund of £5 billion for areas that are not commercially viable. As further detailed in the UK government's Spending Review issued in November 2020, £1.2 billion of the £5 billion gigabit capability fund would be available to subsidise the rollout of gigabit capable broadband in the hardest to reach areas of the UK between now and 2025, with the possibility of additional drawdowns from this gigabit capability fund if industry has the capacity to use such funds. In addition, the National Infrastructure Strategy, which was published alongside the Spending Review, highlighted that the UK government is now working with industry to target a minimum of 85% gigabit capable coverage by 2025, while seeking to accelerate rollout further to get as close to 100% as possible.

From March 2020, consumers and businesses have had a legal right to request a broadband internet connection of at least 10Mbps regardless of where they live subject to a maximum cost – a Universal Service Obligation (**USO**). The designated USO providers are BT and KCOM. In 2023, the Government launched a dual consultation on both the future of the USO and a new programme of funding to provide broadband connectivity to the 50-70,000 hardest to reach premises in the UK (**VHTR**). The Government is considering how any future USO should be framed, in light of its existing funding programmes for gigabit connectivity and the proposed VHTR programme.

The UK government's Spring Budget 2023 introduced a policy of "Full Expensing" to incentivise business investment, including in telecoms networks. The scheme provides 100% first-year capital relief on all qualifying main rate plant and machinery investments, alongside a 50% first-year allowance on new special rate assets. The scheme is due to run from 1 April 2023 until 31 March 2026 and replaced the prior "Super Deduction" scheme that ran from April 2021 to March 2023, which permitted super-deduction on main rate and special rate assets. The Autumn statement in November 2023 indicated the Government's intention to make these deductions permanent.

Regulation of Television and Video-on-Demand Services

In the UK, we are required to hold individual licences under the Broadcasting Acts 1990 and 1996 for any television channels (including barker channels) which it owns or operates and for the provision of certain other services on its cable television platform, such as electronic programme guides. These television licensable content services (**TLCS**) licences are granted and administered by Ofcom. Under these licences, each covered service must comply with a number of Ofcom codes, including the Broadcasting Code, and with all directions issued by Ofcom. Breach of any of the terms of a TLCS licence may result in the imposition of fines on the licence holder and, ultimately, the licence being revoked.

As a provider of an on-demand programme service (**ODPS**), we must comply with a number of statutory obligations in relation to "editorial content" and notify Ofcom of our intention to provide an ODPS. Failure to notify Ofcom or comply with the relevant statutory obligations may result in the imposition of fines or, ultimately, the prohibition on providing an ODPS.

Regulation Requiring Co-Operation With Law Enforcement

Telecommunications operators are subject to various laws that can require them to store and disclose customer data to law enforcement and the security services. In the UK, these laws are in the process of being updated. A new Investigatory Powers Act (**the Act**), came into effect at the end of 2016 with transitional provisions covering most of 2018. In 2018, the Act was amended to limit the acquisition of data by law enforcement to serious crime, and require data requests to be authorised by an independent body (the Office for Communications Data Authorisations).

Non-Industry Specific Regulation

Our business activities are subject to certain environmental and health and safety laws and regulations. Failure to comply with these laws and regulations may result in us incurring fines or other penalties and we may incur expenditures to account for these fines or penalties, maintain compliance and/or undertake any necessary remediation. In addition, any breach of the aforementioned laws and/or regulations by our affiliates, vendors and/or contractors could result in liability for us.

a) Access to Land and Infrastructure

The Electronic Communications Code (the **Code**) contains provisions that permit telecommunications operators to acquire interests in land for installing telecommunications equipment. The Communications Act 2003 also sets out Ofcom's duties in respect of the Code.

The Code grants certain rights enabling electronic communications network providers to install and maintain electronic communications networks, whilst also making substantial changes to the valuation regime for the land on which that network equipment is installed in moving to a "no scheme" approach. Under the Code, operators have rights to install and keep electronic communications apparatus on land. Generally, the Code requires that telecommunications operators secure the agreement of the landowner before installing such apparatus, but where permission is not given by the landowner, a telecommunications operator can apply to a court for permission. The Code also provides new rights for telecommunications operators to upgrade and share infrastructure. These rights are designed to assist future deployment of technology such as 5G. Additional, administrative changes in the Code, to court processes also allow for faster dispute resolution, with the intent that disputes do not delay construction and maintenance of communications infrastructure.

In addition to the Code, rights and obligations that arise in respect of infrastructure are also governed by the Communications (Access to Infrastructure) Regulations 2016 (**ATI Regulations**). The ATI Regulations implemented certain EU directive requirements on measures to reduce the cost of deploying high-speed electronic communications networks, with a particular focus on civil infrastructure works and use of existing infrastructure. For example, the ATI Regulations provide for a number of rights for access seekers in relation to physical infrastructure and civil works, including: a right to access information concerning existing physical infrastructure on proportionate, non-discriminatory and transparent terms; a right to access in-building physical infrastructure under fair and non-discriminatory terms and conditions, including price; and a right to information concerning civil works under proportionate, non-discriminatory and transparent terms.

The Telecommunications Infrastructure (Leasehold Property) Act 2021 (**TILPA 2021**) came into substantive force on 26 December 2022. The act enables operators to provide electronic communications apparatus to blocks of flats where the landlord is not responsive or uncooperative.

b) Product regulation
The Product Security and Telecommunications Infrastructure Act (**PSTI**) received royal assent on 6 December 2022. Part one of the PSTI allows the Secretary of State to make regulations to introduce mandatory security requirements for consumer connectable products (also described as smart devices or IoT devices) sold in the UK. These regulations will come into force on 29 April 2024. Part two of the PSTI makes changes to the Code which governs the rights of telecoms companies to install infrastructure on land. Ofcom is currently consulting on the codes of practice which is a voluntary code that stakeholders should use to inform agreements to access private land under the Code.

Data Protection
Together, UK GDPR, as defined by the UK Data Protection, Privacy and Electronic Communications (Amendments etc.) (EU Exit) Regulations 2019 (the **UK GDPR**), the UK Data Protection Act 2018 (**DPA**) and the Privacy and Electronic Communications Directive (EU) 2002/58/EC, as amended as implemented in the UK by the Privacy and Electronic Communications (EC Directive) Regulations 2003 (SI 2426/2003) (as amended) (**PECR**), contain the current general legal framework for privacy and data protection in the UK. The DPA supplements the EU's GDPR (General Data Protection Regulation) and also implements specific data protection provisions in relation to data processing by law enforcement and intelligence services entities in the UK. The UK government is currently in the process of reforming the UK's data protection framework by way of the Data Protection and Digital Information (No.2) Bill, which was originally published on 8 March 2023 and seeks to make various amendments to the UK GDPR and DPA. The Bill is expected to pass during 2024.

The UK GDPR establishes seven general principles relating to processing of personal data which include: (i) Lawfulness, fairness and transparency; (ii) Purpose limitation; (iii) Data minimisation; (iv) Accuracy; (v) Storage limitation; (vi) Integrity and confidentiality (security); and (vii) Accountability. The UK GDPR and the DPA have implications for all telecommunications operators in their capacities as data controllers and data processors and their customers, staff, partners and other stakeholders as data subjects. These implications include, but are not limited to, the UK GDPR and the DPA:

a) requiring data controllers to provide more information to data subjects in their fair processing notices;

b) requiring consent from a data subject to be freely given, specific, informed and unambiguous (involving a clear affirmative action on behalf of the data subject);

c) granting rights to data subjects to access, rectify, erase, restrict, share or object to, the data being processed;

d) requiring data controllers to notify the Information Commissioner's Office (**ICO**) as the relevant regulatory authority of personal data breaches within 72 hours (noting that under PECR, as set out below, subsidiaries of VMED O2 that act as data controllers under the UK GDPR (are subject to a more stringent 24-hour breach reporting obligation for telecommunications providers, although the ICO has publicly stated that it will not take enforcement action against providers that fail to do so, provided that they notify the ICO within 72 hours); and

e) providing for two tiers of sanctions for violations, with maximum fines of up to £17.5 million or 4% of annual worldwide turnover, whichever is greater, although note that the applicable fines under PECR (which will apply to VMED O2 in relation to areas of compliance including as security breaches, as detailed below) are lesser, as set out below.

PECR covers four main areas: (i) marketing by electronic means (including calls); (ii) the use of cookies and similar technologies; (iii) the security of public electronic communication services; and (iv) the privacy of individuals whilst using communication networks and services. The UK GDPR does not apply to network or service providers under PECR to the extent there are overlapping PECR rules. Therefore, VMED O2 is subject to PECR (and not UK GDPR) rules on the following: (i) security and security breaches (including the 24-hour breach reporting obligation); (ii) traffic data; (iii) location data; (iv) itemised billing; and (v) line identification services. Under PECR the maximum fine is £500,000.

Telecommunications operators are also subject to requirements under the UK Regulation of Investigatory Powers Act 2000 as amended by the Investigatory Powers Act 2016 and The Data Retention and Acquisition Regulations 2018 (IPA). The IPA regulates the powers of the Secretary of State and law enforcement bodies with regard to any requests by them in respect of retention, disclosure and interception of communications and other related data.

For example, the IPA provides that a telecommunications operator may be required by a Secretary of State to retain certain communications data pursuant to the IPA for up to 12 months for the purposes of facilitating disclosure of that communications data. The IPA includes safeguards to protect personal data and certain kinds of communications data can only be disclosed for the purposes of preventing or detecting serious crime.

A Secretary of State (subject to judicial approval) may also issue lawful intercept warrants if information is needed to detect or prevent serious crime, in the interests of national security or to safeguard the economic well-being of the UK. Interceptions can also lawfully take place without a warrant in specific circumstances, for example, where there are reasonable grounds to believe that all parties have consented to an interception. The IPA also imposes a duty on telecommunications operators to assist by way of technical interference capability as may be required to give effect to the requirements of a relevant warrant (again as approved by a Secretary of State and a Judicial Commissioner).

Financial Service Regulation
Our regulated financial service activities carried out in the UK consist of insurance distribution (carried out by Telefonica UK Limited and

giffgaff) and consumer credit activities (carried out by Telefonica UK Limited, giffgaff and Virgin Media Mobile Finance Limited (**VMMF**)). Telefonica UK Limited, giffgaff and VMMF are authorised by the Financial Conduct Authority (the **FCA**) to carry out certain regulated activities under the Financial Services and Markets Act 2000 (the **FSMA**). This section sets out further details of the regulatory framework governing the regulated financial service activities that Telefonica UK Limited, giffgaff and VMMF are permitted to undertake. However, it is necessarily an overview and is not intended to be an exhaustive summary.

Overview

a) Financial Services and Markets Act 2000 (**FSMA**)

The cornerstone of the financial service regulatory regime in the UK is the FSMA. The FSMA prohibits any person from carrying on a "regulated activity", as defined in the Financial Services and Markets Act 2000 (Regulated Activities) Order 2001 (the **RAO**), by way of business in the UK unless that person is authorised or exempt under the FSMA (referred to as the General Prohibition). Regulated activities under the RAO include, amongst others, insurance distribution and consumer credit activities. The FSMA also prohibits financial promotions in the UK unless the promotion is issued or approved by an authorised person or exempt from such requirements.

The Prudential Regulatory Authority (the **PRA**) and the FCA are the regulators in the UK responsible for the authorisation and supervision of regulated activities as defined in the RAO. Firms can be regulated by either only the FCA or the FCA and PRA jointly, depending on the activities they carry on. Banks, building societies, credit unions, insurers and major investment firms are regulated by both the PRA and the FCA. The relevant VMED O2 entities are authorised and regulated solely by the FCA.

b) The Financial Conduct Authority

The FCA has responsibility for conduct of business regulation in relation to all authorised firms and the prudential regulation of firms (including Telefonica UK Limited, giffgaff and VMMF) that are not otherwise regulated by the PRA. The FCA also has market regulatory functions. Authorised firms must at all times meet certain "threshold conditions" specified by the FSMA and set out in the FCA's Handbook of Rules and Guidance (**FCA Handbook**), which include having appropriate financial and non-financial resources and being capable of effective supervision by the FCA.

When discharging its general functions of rule-making, preparing and issuing rules under the FSMA, giving general guidance or determining general policy and principles, the FCA must, so far as is reasonably possible, act in a way which is compatible with its strategic objective of ensuring that relevant markets function well, and which advances one or more of its operational objectives of:

i. securing an appropriate degree of protection for consumers (the consumer protection objective);

ii. protecting and enhancing the integrity of the UK financial system (the integrity objective); and

iii. in so far as is compatible with its consumer protection and integrity objectives, promoting effective competition in the interests of consumers in financial markets.

c) FCA Handbook

The FSMA imposes an ongoing system of regulation and control on FCA-authorised firms. The FCA Handbook is the collective name for the FCA's legislative and other provisions made under its rule-making powers. The Handbook is divided into several blocks (e.g. Business Standards), each containing a number of instruments (known as **Sourcebooks**) setting out detailed regulation on particular topics (e.g. the Consumer Credit sourcebook). Once authorised, and in addition to continuing to meet the threshold conditions for authorisation, firms are obliged to comply with the applicable sections of the FCA Handbook, including the FCA Principles for Businesses, which include conducting their business with due skill, care and diligence, treating customers fairly and communicating with customers in a manner that is clear, fair and not misleading. Example Sourcebooks of particular relevance to the VMED O2 business include the Systems and Controls Sourcebook, the Prudential Sourcebook for Insurance Intermediaries, the General Prudential Sourcebook, the Statements of Principle and Code of Practice for Approved Persons Sourcebook, the Dispute Resolution Complaints Sourcebook, the Perimeter Guidance manual, the Conduct of Business Sourcebook, the Insurance Conduct of Business Sourcebook and the Consumer Credit Sourcebook.

d) Supervision and Enforcement

The FCA has extensive powers to supervise and intervene in the affairs of a firm authorised and regulated under, or pursuant to, the FSMA. For example, the FCA can require firms to provide information or documents, require the production of a report by a "skilled person" or formally investigate a firm and take a range of disciplinary enforcement actions against the firm and certain individuals carrying out functions within the firm. These actions include public censure, restitution and consumer redress exercises, potentially unlimited fines or sanctions, the award of compensation and, ultimately, revocation of permission (authorisation) of a firm to carry on regulated activities or revocation of permission of a person within that firm to perform a controlled function (as defined below). The FCA also has criminal prosecution powers; criminal offences under FSMA include carrying on an FCA regulated activity without authorisation/exemption to do so, misleading the FCA, and fraud offences.

e) Senior Managers & Certification Regime

In addition to provisions applying to firms, the FCA has powers over individuals holding certain roles in those firms. The Senior Managers & Certification Regime (**SMCR**) applies to firms which are solo-regulated by the FCA, including Telefonica UK Limited, giffgaff and VMMF. The SMCR requires firms to identify individuals performing certain senior management functions who must be approved by the FCA as performing a "**controlled function**". The SMCR requires responsibility for that function to be accepted by the approved individual by means of a statement of responsibilities. Controlled functions include both "governing functions", such as chief executive, executive directors and chair, and "required functions", including compliance oversight, and money laundering reporting officer. A person must have regulatory approval before they can perform any of these controlled functions and is subject to certain ongoing obligations for which they are personally accountable to the FCA. In addition to the approval of senior managers exercising controlled functions, the SMCR also requires individuals performing certain relevant roles to be certified (**Certified Individuals**). Certified Individuals are responsible for critical FCA regulated activities. Anyone performing a Senior Management Function or a Certified Individual must be assessed for Fitness and Propriety (as defined by the FCA). Since 31 March 2021, the SMCR applies further conduct rules to employees of all levels who carry out financial services activities in a firm. The FCA has wide-ranging powers under the FSMA to act against any person who fails to satisfy the required standards of conduct or who ceases to be fit and proper, including withdrawal of their approved status, granting a prohibition order, disciplinary action and/or fines.

f) The Financial Ombudsman Service
The FSMA established the Financial Ombudsman Service (the **FOS**) which determines complaints by eligible complainants in relation to authorised financial services firms, consumer credit licence and certain other businesses in respect of activities and transactions under its jurisdiction, on the basis of what, in its opinion, is fair and reasonable in the circumstances. The maximum level of money awarded by the FOS is £350,000 for complaints received by the FOS which took place on or after 1 April 2019, £160,000 for complaints received by the FOS on or after 1 April 2019 but which took place before 1 April 2019, and £150,000 for any complaints received by the FOS before 1 April 2019 plus interest and costs. The FOS may also make directions awards which direct the relevant business to take steps which the FOS considers just and appropriate. Customers of the regulated businesses within VMED O2 will have access to the FOS.

g) The Financial Services Compensation Scheme
Eligible complainants may be able to seek compensation from the Financial Services Compensation Scheme where an authorised financial services firm is unable, or likely to be unable, to pay claims against it.

Insurance

The Insurance Distribution Directive (**IDD**) came into force on 22 February 2016, repealing and replacing the insurance mediation directive (2002/92/EC). The IDD is designed to improve EU regulation in the insurance market by ensuring a level playing field amongst all participants involved in the sale of insurance products. In the UK the majority of the IDD provisions have been transposed by the FCA by way of amendments to the FCA Handbook. The IDD requires firms conducting insurance distribution activities to, amongst other things, comply with certain organisational and conduct of business requirements.

The following insurance distribution activities are subject to the General Prohibition and the FSMA authorisation regime discussed above, unless such activity is otherwise subject to an exemption:

a. selling (or otherwise dealing in) contracts of insurance as agent;

b. arranging deals in, and making arrangements with a view to transactions in, contracts of insurance;

c. assisting in the administration and performance of a contract of insurance;

d. advising on a contract of insurance; and

e. agreeing to carry on any of the above activities.

Our subsidiary Telefonica UK Limited is authorised and currently undertakes insurance distribution activities in connection with the provision of mobile and tablet insurance. Our insurance activities are supplemented by a number of third parties who are each responsible for their own authorisation and are separately regulated by the FCA. We have an oversight responsibility in respect of these third parties.

Consumer Credit

Consumer credit activities are subject to the General Prohibition and the FSMA authorisation regime discussed above. Relevant to VMED O2 entities, this includes the requirement to be authorised by the FCA, firms and individuals falling within the SMCR regime being subject to supervision and enforcement by the FCA, and financial promotions restrictions. Our subsidiary Telefonica UK Limited undertakes consumer credit activities through O2's O2 Refresh (including Custom Plan), Device Plan and Business Essentials (closed book) offerings by entering into regulated credit agreements with O2's customers to finance the purchase of handsets, tablets and/or related mobile services. Our subsidiary VMMF carries out consumer credit activities under its Virgin Mobile Freestyle offering, to provide customers with finance to purchase handsets.

As of 1 April 2014, the FCA has been responsible for the oversight and regulation of consumer credit firms in the UK. The regulatory framework comprises, in particular, the FSMA and its secondary legislation, retained provisions in the Consumer Credit Act 1974 (as amended, extended, or re-enacted from time to time) (**CCA**) and related retained secondary legislation, the Consumer Rights Act 2015 (**CRA**) and rules and guidance in the FCA Handbook, including the Consumer Credit sourcebook (for the purposes of this section, collectively the **Consumer Credit Regime**). This area of law is rapidly developing and new regulatory guidance and case law as a result of new legislation can be expected. No assurance can be given that any changes in legislation, guidance or case law in this area will not have a material adverse effect on our businesses and operations.

Under the Consumer Credit Regime, relevant "regulated activities" include credit broking and entering into a "regulated credit agreement" as lender. The Consumer Credit Regime requires relevant entities of VMED O2 to comply with detailed obligations covering areas such as financial promotions, customer communications, pre- and post-contractual requirements, responsible lending, cancellation, arrears, forbearance and debt advice. Where a credit agreement is subject to the Consumer Credit Regime, it must contain certain prescribed information and terms. Where these strict requirements are not met, such agreements may be unenforceable. Agreements entered into on or after 1 April 2007 may be enforceable with an order of the court. However, we cannot guarantee that such a court order can be obtained. Non-compliance with certain other provisions of the CCA may also render customer agreements unenforceable against the borrower. Failure to provide certain post-contractual documentation may also render the agreement unenforceable during the period of non-compliance.

In addition, the FCA is placing increasing emphasis on compliance with their 'Consumer Duty' principle such that authorised firms must act to deliver good outcomes for retail customers. This Customer Duty has four outcomes being; Fair Value, Suitable Products and Services, Suitable Treatment (of customers post sale) and Confidence. In addition, there are cross cutting rules requiring the regulated entities of VMED O2 to act in good faith, avoid causing foreseeable harm and enable and support customers to pursue their financial objectives. The regulated entities of VMED O2 will need to demonstrate to the FCA how those outcomes are being met.

Non-compliance with the CCA and/or non-compliance with the FCA's Consumer Duty or other principles may result in an enforcement action by the FCA.

Unfair Terms in Consumer Contracts

Furthermore, VMED O2 is subject to unfair contract terms legislation, namely the Unfair Terms in Consumer Contracts Regulations 1999 (the **UTCCRs**), which apply to business-to-consumer contracts entered into prior to 1 October 2015, and the CRA, which replaced the UTCCRs and applies to business-to-consumer contracts entered into or subject to a material amendment from 1 October 2015. Under the UTCCRs and the CRA, a consumer may challenge a standard term in a contract on the basis that it is unfair and not binding on the consumer or the regulator may take enforcement action to stop the use of terms which are considered to be unfair. The CRA is also applicable as of 1 October 2015, to consumer 'notices', such as variation of interest rate under contracts such that consumer notices will be subject to the CRA in the same manner as consumer contracts. These provisions apply to all types of contracts entered into by VMED O2 entities with consumers.

The UTCCRs will not generally affect terms which define the main subject matter of the contract, such as the borrower's obligation to repay the principal (provided that these terms are written in plain and intelligible language and are drawn adequately to the consumer's attention), but may affect terms that are not considered to be terms which define the main subject matter of the contract, such as terms imposing default charges or restricting refunds of fees if a customer cancels a service or settles early. For example, if a term permitting the lender to impose a default charge is found to be unfair, the borrower will not be liable to pay the default charge or, to the extent the borrower has paid it, will be able, as against the lender, to claim repayment of the default charge paid or to set off the amount of the claim against the amount owing by the borrower under the loan or any other loan agreement the borrower has taken with the lender. Any such non-recovery, claim or set-off may adversely affect the business and operations of VMED O2.

VMED O2's regulators may also take action to enforce the CRA and UTCCRs. The CMA has a leadership role in this respect and coordinates enforcement with other UK regulators. The FCA, for example, can use its powers to seek an undertaking from a firm that it will amend or remove an unfair contract term from its future consumer contracts. Regulators can also apply to a court for an injunction to prevent a firm from using or enforcing the term against its existing customers.

The CRA significantly reforms and consolidates consumer law in the UK. The CRA has revoked the UTCCRs and introduced a new regime for dealing with unfair contractual terms as follows:

a. Under Part 2 of the CRA an unfair term of a consumer contract (a contract between a trader and a consumer) is not binding on a consumer (an individual acting for purposes that are wholly or mainly outside that individual's trade, business, craft or profession). Additionally, an unfair notice is not binding on a consumer, although a consumer may rely on the term or notice if the consumer chooses to do so. A term will be unfair where, contrary to the requirement of good faith, it causes significant imbalance in the parties' rights and obligations under the contract to the detriment of the consumer.

b. Schedule 2 of the CRA contains an indicative and non-exhaustive "grey list" of terms of consumer contracts that may be regarded as unfair. Notably, paragraph 11 lists "a term which has the object or effect of enabling the trader to alter the terms of the contract unilaterally without a valid reason which is specified in the contract". Although paragraph 22 provides that this does not include a term by which a supplier of financial services reserves the right to alter the rate of interest payable by or due to the consumer, or the amount of other charges for financial services without notice where there is a valid reason if the supplier is required to inform the consumer of the alteration at the earliest opportunity and the consumer is free to dissolve the contract immediately.

Importantly, the CRA extends the application of the unfair contract terms regime to voluntary statements. Statements made voluntarily by a firm or its employees that are taken into consideration by the consumer when deciding whether to enter into a contract will now form part of the contract between the parties. This means that oral statements made by sales teams and financial promotions may form part of consumer contracts.

Where a term of a consumer contract is "unfair" it will not bind the consumer. However, the remainder of the contract will, so far as practicable, continue to have effect in every other respect. Where a term in a consumer contract is susceptible to multiple different meanings, the meaning most favourable to the consumer will prevail. It is the duty of the court to consider the fairness of any given term. This can be done even where neither of the parties to proceedings has explicitly raised the issue of fairness.

The extremely broad and general wording of the CRA makes any assessment of the fairness of terms largely subjective and makes it difficult to predict whether or not a term would be held by a court to be unfair. It is therefore possible that any receivables covered by the CRA may also contain unfair terms which may result in the possible unenforceability of the terms of the underlying loans.

The Consumer Protection from Unfair Trading Regulations 2008 (**CPR**) implements the EU Unfair Commercial Practices Directive and prohibits certain practices that are deemed "unfair" within the terms of the CPR. Such practices include misleading actions or omissions, aggressive sales tactics and failures to comply with the requirements of professional diligence. Possible liabilities for misrepresentation or breach of contract, in relation to an underlying credit agreement, may result in unrecoverable losses on accounts to which such agreements apply. The regulator may also take enforcement action.

PSD2 - Payments Services Directive

The FCA regulates us under the Second Payment Services Directive in relation to payment service such as a charge to a customer's mobile to purchase e.g. gaming, music, video and other services or other services from third-party merchants. The customer then pays for the item as an add on to their O2 and Virgin Mobile airtime bill. Telefonica UK Limited and Virgin Media Limited are permitted by the FCA to rely on an exclusion that allows us to provide these payment services. As required, we notify the FCA annually of our intention to keep relying on this exclusion and submit a related annual audit report.

Management and Governance

Introduction

VMED O2 UK Holding Limited, is a wholly owned subsidiary of VMED O2 UK Limited, the seat of the governance framework with certain Reserved Matters as set out in the Joint Venture Shareholders Agreement dated 1 June 2021. The Leadership team which comprises of the Executive Leadership Team, have the delegated authority to manage the affairs of the group. The "Reserved Matters" under the Joint Venture Shareholders Agreement include: (i) changes in the constituent documents of capital stock, certain executive management matters, or branding of the Joint Venture; (ii) certain material transactions, including transfers of shares and acquisitions and dispositions over a certain threshold; (iii) the adoption of any new business plan or amendment to any current business plan (including with respect to the budget) of the Joint Venture; and (iv) certain other material business, investing and financing decisions of the Joint Venture.

Joint Venture Shareholders Agreement

The Joint Venture Shareholders Agreement provides that the board of directors of VMED O2 UK Limited, is composed of eight directors, with four directors designated by each of Liberty Global and Telefónica. The Joint Venture Shareholders Agreement provides that, in order for a meeting of the board of directors to be quorate, at least three directors nominated by each Shareholder must be present. In general, a decision of the board of directors will require the approval of a simple majority with at least one individual designated by both Liberty Global and Telefónica.

The Joint Venture Shareholders Agreement provides that the Chairman of the board of directors will alternate every two years between a Liberty Global director and a Telefónica director. The current Chairman is Mr. José María Álvarez-Pallete López, the Chief Executive Officer (**CEO**) of Telefónica, as appointed by Telefónica.

Pursuant to the Joint Venture Shareholders Agreement, the Joint Venture will be required to make regular cash distributions to the shareholders of the VMED O2 UK Limited on a pro rata basis equal to the unrestricted cash of the Joint Venture (subject to the Joint Venture maintaining minimum cash levels and complying certain leverage ratios and the terms of its financing arrangements).

The Joint Venture Shareholders Agreement includes a lock-in period of three years from the date of the agreement, during which the shareholders of VMED O2 UK Limited are not permitted to transfer their shares other than in limited circumstances. Each shareholder has the right to initiate an initial public offering after the third anniversary of the closing date of the Joint Venture Transactions. Each shareholder of VMED O2 UK Limited has a customary right of first offer rights and drag along rights, which shall apply following the fifth anniversary of the Joint Venture Shareholders Agreement and will be subject to non-compete and non-solicit undertakings subject to certain carve-outs.

Leadership Team

The leadership team has been selected and appointed by Liberty Global and Telefónica in accordance with the Joint Venture Shareholders Agreement.

Lutz Schüler, Chief Executive Officer
Lutz Schüler is our Chief Executive Officer. Mr. Schüler was appointed Chief Executive Officer of Virgin Media in May 2019, prior to which he served as Virgin Media's Chief Operating Officer from September 2018 and as the Chief Executive Officer of Unitymedia GmbH from January 2011 to August 2018. Mr. Schüler has significant experience in the telecoms market, with many years of strategic and operational experience and extensive experience in marketing, sales and operations across a wide range of products. He has served in several senior management roles with Telefónica Germany since 1998. From 2006 to 2010, he was Managing Director, Marketing & Sales for Telefónica Germany. Before joining Telefónica Germany in 1998, he worked as product manager with VIAG Interkom GmbH and T-Mobile. Mr. Schüler studied business administration at the University of Augsburg and holds a master's degree in business administration (**MBA**).

Patricia Cobian, Chief Financial Officer
Patricia Cobian is our Chief Financial Officer. Ms. Cobian was appointed Chief Financial Officer of O2 in September 2016. Ms. Cobian was previously O2's Strategy & Transformation Director. Before joining O2's leadership team, Ms. Cobian led Telefónica post-merger integration planning of Telefónica Deutschland with ePlus. Prior to this, Ms. Cobian was the Director for Business Development of Telefónica Europe. Ms. Cobian joined Telefónica in 2006 as VP Strategy and Development for Telefónica Europe. Ms. Cobian has deep expertise in the technology, media, and telecoms (**TMT**) space with a track record of over 15 years in leading teams at the intersection of evolving customer trends, market structure and technology. Ms. Cobian was named a Young Global Leader by the World Economic Forum in 2014. Prior to joining O2, Ms. Cobian was a consultant with the TMT and Corporate Finance practices of McKinsey & Company. Ms. Cobian started her career in Hewlett-Packard and holds an MSc in Industrial Engineering from Universidad Pontificia Comillas ICAI (Madrid).

Christian Hindennach, Chief Commercial Officer
Christian Hindennach is our Chief Commercial Officer and was appointed as our Chief Commercial Officer in December 2023. He is responsible for the commercial performance of the O2, Virgin Media and giffgaff brands which includes defining consumer & brand strategy, designing customer centric products and propositions, executing marketing & communication activities as well as implementing digital transformation for all commercial activities. Mr. Hindennach formerly held the position of Chief Commercial Officer of German pay-TV broadcaster Sky Deutschland and was responsible for customer growth, customer and product management, customer experience, pricing and offering, marketing and communication. Previously he was Chief Commercial Officer with Liberty Global's cable operator Unitymedia for eight years until the asset was sold to Vodafone Germany in 2019, tripling its value from 2012. Between 2006 and 2012 Christian held various senior leadership roles in O2 Germany in sales and marketing.

Rob Orr, Chief Operations Officer
Rob Orr is our Chief Operations Officer and was appointed to this role in November 2023. He is responsible for improving customer experience and implementing key consumer digital initiatives across all of our customer areas. This includes overseeing customer service, install and field technicians, offline sales and our retail stores spread across the country. He joined Virgin Media in 2015, reporting to the Managing Director Virgin Media Business (**VMB**) on the Virgin Media Executive Committee and moved from there into the Consumer Division as Executive Director Sales, reporting directly into the CEO to lead, motivate and develop a team of approximately 3,000 people to drive sales, base trading and retentions activity. Previously, Mr. Orr held a number of Senior Leadership roles for both Samsung and BlackBerry, building on an extensive background in the telecoms industry.

Jo Bertram, Managing Director, Business & Wholesale
Jo Bertram is our Managing Director, Business & Wholesale. Ms. Bertram was appointed Managing Director for O2 Business in August 2019, having joined O2 as Chief Digital & Strategy Officer in April 2018. As Managing Director, Business & Wholesale, Ms. Bertram is responsible for providing services to our large enterprise, public sector, and small business customers, as well as our wholesale and MVNO partners. Prior to this, Ms. Bertram was the Regional General Manager of Uber's Northern Europe operations. Ms. Bertram also has more than eight years of management consultancy experience, having worked for both McKinsey and Accenture. Ms. Bertram holds a degree in natural sciences from Cambridge University and an MBA from INSEAD.

Julie Agnew, Managing Director, Fixed Network Expansion
Julie Agnew is our Managing Director for Fixed Network Expansion and was appointed to this role in April 2023. Ms. Agnew has extensive experience within the telecoms sector and in delivering major infrastructure projects across the UK. Most recently she held the role of CEO at Egg, which was launched in 2022 by Liberty Global Ventures, the investment arm of Liberty Global, to offer consumers and businesses a range of de-carbonising technology solutions including at-home electric vehicle charging, solar power and battery storage. This followed on from Julie's role as Chief Operating Officer of Liberty Global Energy Ventures from the end of 2021. Before this, Ms. Agnew spent 20 years at Virgin Media, latterly as the Executive Director of Construction & Delivery, extending the reach of the Company's broadband network through its major Project Lightning programme. Ms. Agnew spent two years with Kingston Communications in East Yorkshire as a Client Services Director from 2000 before joining Telewest as Head of Contact Centres which later merged with NTL and then became Virgin Media in 2007.

Jeanie York, Chief Technology Officer
Jeanie York is our Chief Technology Officer. Ms. York is responsible for the fixed and mobile networks across Virgin Media O2. Previously, she held the position of Chief Technology and Information Officer at Virgin Media, where she was appointed in January 2019 to be responsible for both the network and IT infrastructure. Prior to this, she spent almost six years at Liberty Global, joining as Vice President of Network Operations and later becoming Managing Director in 2017, where her role included responsibility for network engineering and operations. Before joining Liberty Global, Ms. York held a number of senior management positions at Qwest and CenturyLink over a period of 15 years. Ms. York holds an Associate of Science (**A.S.**) degree from North Idaho College.

Roy Hage, Interim Chief Digital Officer
Roy Hage is our Interim Chief Digital Officer. Mr. Hage was appointed to the role in January 2024 and is responsible for Data, Product, Digital Platforms and Technology Planning across the Virgin Media and O2 brands. He joined Virgin Media in 2019 as Director of Transformation, then took on the role of Executive Director of Digital Transformation. After playing a key role in the merger of Virgin Media and O2, Mr. Hage then took on the role of Director of Value Creation and Operations leading cross-company strategic initiatives and most recently has double-hatted as the Director of Digital Platforms. Before joining Virgin Media, he has worked in strategy and specialised in transformation, restructuring and performance improvement across multiple industries including telecoms, energy and shipping.

Adrian Di Meo, Chief Information Officer
Adrian Di Meo is our Chief Information Officer. Mr. Di Meo was appointed Chief Technical Information Officer for Telefónica Móviles Argentina S.A. in 2015. In that role he oversaw the planning, deployment, and operation of the mobile, fixed and IPTV networks, as well as the IT stack. Prior to 2015, Mr. Di Meo was Chief Technology Officer of O2 (UK). Mr. Di Meo joined Telefónica in 1998 as a Radio Engineer and later becoming Head of Quality Assurance at Telefónica Móviles Argentina S.A. Mr. Di Meo also serves as a lecturer at Universidad de San Andrés and previously served as a lecturer at Universidad Argentina de la Empresa. Mr. Di Meo studied Electronic Engineering at Universidad Tecnológica Nacional, Buenos Aires and holds an MBA from EDDE Escuela de Dirección de Empresas Argentina.

Nicola Green, Chief Communications and Corporate Affairs Officer
Nicola Green is our Chief Communications and Corporate Affairs Officer. Ms. Green was appointed as Corporate Affairs Director at O2 in 2016, having served seven years as Director of Communications and Reputation. In June 2019 Nicola was appointed as a member of O2's Executive Team. At O2, Ms. Green had responsibility for Corporate Communications, Public Relations, Internal Communications, Public Affairs, Corporate Responsibility & Sustainability and Social Media Response. Ms. Green joined O2 in 2003 as Head of Media & Communications. Ms. Green previously worked for a number of major blue chip brands including Unilever, Dr Pepper and Orange, where she helped build the brand and manage its flagship partnerships with BAFTA and the Glastonbury Festival. Ms. Green began her career at global public relations and communications firm, BursonMarsteller, where she worked for a number of fast-moving consumer goods clients. Ms. Green has a degree from the University of Leeds and in May 2018 graduated with a Non-Executive Director Diploma from The Financial Times.

Enrique Medina Malo, General Counsel and Chief Regulatory Officer
Enrique Medina Malo is our General Counsel and Chief Regulatory Officer, and was Chief Policy Officer at Telefónica until 1st June 2021. Mr. Medina Malo joined the Telefónica legal department in 2006 as Head of Public Law and has held different responsibilities in the field of Regulation and Competition legal affairs. Mr. Medina Malo was appointed as General Counsel of Telefónica Europe in September 2011. Before joining Telefónica, Mr. Medina Malo served in the Spanish Government Legal Service, working for the Ministry of Science and Technology, the Ministry of Industry and Energy and the High Court of Cataluña. From 2002 to 2004 Mr. Medina Malo served as both General Director for Legislation (**Secretario General Tecnico**) of the

Ministry of Science and Technology and as Chief Legal Officer of the Spanish Broadcasting Corporation, RTVE. Mr. Medina Malo holds a degree in Law from the Universidad Carlos III de Madrid and was admitted to Spanish Government Legal Services in 1997 (**Abogado del Estado**).

Philipp Wohland, Chief People and Transformation Officer
Philipp Wohland is our Chief People and Transformation Officer. Mr. Wohland joined Virgin Media as Chief Transformation Officer in 2019, later assuming responsibility for the People Teams in October 2019. Prior to this, Mr. Wohland was Senior Vice President of People and Transformation at Unitymedia in Germany, where he led on large-scale transformation initiatives. Mr. Wohland has significant strategic and operational experience having also worked as Senior Vice President of Strategy leading Unitymedia's major corporate development from 2008. Prior to Unitymedia, Mr. Wohland worked as a project manager at Roland Berger Strategy Consultants from 2000. Mr. Wohland holds a degree in Business Administration from the University of Cologne and a doktor rerum politicarum from Leuphana University of Lüneburg.

Sustainability

VMED O2's sustainability strategy, the "Better Connections" plan, underscores our commitment to make our business even better for people and the planet. Our strategy is centred around three elements - Zero carbon future, A circular economy, Connected communities - underpinned by a better way to do business. It centres our ambitions on cutting carbon faster; tackling the growing problem of e-waste; reducing data poverty and digital exclusion; and making sure we grow the business in an ethical, inclusive way.

We support the United Nations (**UN**) Sustainable Development Goals (**SDGs**) and want to play our part in tackling the global challenges of climate change, waste and inequality. Our strategy contributes to a number of goals that tackle issues including climate action, responsible consumption and production, reducing inequalities, and gender equality.

The following table describes the main elements of our 2025 strategy, why they matter to our key stakeholders, how we are going to deliver them and the representative UN SDGs that they align with.

What	Zero carbon future	A circular economy	Connected communities
Why	We are in the midst of a climate and ecological emergency. We believe that technology can play a crucial role in facilitating the shift to a zero carbon future.	We will embed principles of circularity into everything we do and champion the reduction of e-waste - the fastest-growing waste stream in the world.	We have a responsibility to help tackle the inequalities brought about by the deepening digital divide, and are determined to ensure that our services are accessible to all.
How	We are committed to achieving net zero carbon emissions across our entire value chain by the end of 2040. We are empowering customers to prevent 20 million tonnes of CO_2 from entering the Earth's atmosphere and we will support large-scale decarbonisation by the end of 2025.	We are committed to achieving zero waste operations and products by the end of 2025. We will help consumers to carry out 10 million circular actions to tackle e-waste by the end of 2025.	We are committing to help eradicate data poverty by connecting 1 million digitally excluded people across the UK by the end of 2025. We are working to equip 6 million people with skills and tools to help them feel more connected to our digital society by the end of 2025. We are supporting 1 million people through our 'Take 5' day employee volunteering programme by 2025.
Related SDGs	11. Sustainable cities and communities 12. Responsible consumption and production 13. Climate Action	11. Sustainable cities and communities 12. Responsible consumption and production	4. Quality education 9. Industry, innovation and infrastructure 10. Reduced inequalities 17. Partnerships for the goals

	Underpinned by a Better business
Why	We want to make sure that our business operates in a fair, ethical way and that we become a leading, inclusive employer and a great place to work.
How	We are working to achieve gender parity and improve representation from Global Majority[1] employees to 15% across our wider leadership team, and to 25% across our entire business by 2027. Make sure all our major purchases commit contractually to defined sustainability requirements and aligned carbon-reduction goals.
Related SDGs	5. Gender equality 10. Reduced inequalities 12. Responsible consumption and production 17. Partnerships for the goals

[1] Global Majority is a collective term that first and foremost speaks to and encourages those so-called to think of themselves as belonging to the global majority. It refers to people who are Black, Asian, Brown, dual-heritage, indigenous to the global south, and or have been racialised as 'ethnic minorities'.

Enabling a zero-carbon future

To prevent the worst impacts of climate change, we will all need to change the way we live and work - for the better, and for good. We believe that technology can play a pivotal role in the shift towards a decarbonised future, and have set two key goals to guide our climate action:

- Greener Business – we are targeting net zero carbon in our full value chain, including our operations, products and supply chain, by 2040 (with interim targets for 2025 and 2030).
- Zero carbon future – we will help accelerate the UK's transition to net zero by using our products and services to help our customers avoid the use of 20 million tonnes of CO_2.

To keep us on track, assess our progress and make sure we always act in line with climate science, we are partnering with industry experts, organisations and coalitions. Our near-term and net zero targets have been approved by the Science Based Target initiative (**SBTi**).

As well as mitigating our own climate impact, we are providing the connectivity foundations for smart cities, smart metering and autonomous vehicles that could save up to 20 million tonnes of carbon by 2025. Our Greener Connected Future report showed that 5G and connected technology has the potential to save the UK up to 269 megatonnes of CO_2 by 2035. In October 2023, Virgin Media O2 Business launched a new Carbon Calculator that provides customers with the carbon impact of their telecommunications services. The calculator is free to use and generates insights in minutes, providing business leaders with the information they need to better measure, manage and reduce their carbon footprint. The model behind the calculators has been verified by the Carbon Trust as conforming to the Greenhouse Gas Protocol Product Lifecycle Standard.

Accelerating to a circular economy

We believe that bold action needs to be taken to combat the growing problem of electronic waste. We are pledging to reduce the huge numbers of devices that end up in landfill every year by extending the life of the devices we sell and encouraging the reuse of products and raw materials. Our 2025 circularity targets are:

- A zero waste future – we are targeting zero waste operations and products.
- Circular by design – we will enable 10 million circular solutions and actions to help customers tackle e-waste.

We will take a 're-use first' approach to our branded products and reduce our reliance on virgin raw materials in new products; make sure that 100% of customer packaging for own-branded products is widely recyclable and contains zero single-use plastic; and reuse or recycle 100% of all returned customer and network equipment. We have made progress towards our zero waste target in 2023, by recycling 4,503 metric tonnes of waste from a total of 5,622 metric tonnes produced, and 80% of our total operational waste was recycled.

We will also seek to improve awareness of e-waste - and how customers can tackle it by recycling, rehoming old devices or buying second-hand through schemes. Initiatives like Eco Rating (an environmental ratings system for devices), Like New (refurbished phones), O2 Recycle and Virgin Media's 'take-back scheme' all help customers reduce their carbon impact and give devices a longer life – supporting our ambition to champion the reduction of e-waste and promote a circular economy. Over 11 million routers and set-top boxes have been refurbished and reused since 2014, and 3.9 million devices have been returned through O2 Recycle since 2009.

In partnership with environmental charity Hubbub, we launched our second Time after Time e-waste fund, awarding grants of between £25,000 and £100,000 for creative UK projects that help close the digital divide while reducing e-waste.

We have taken action to minimise the plastics and packaging required to make and sell our products and services. We are working towards delivering our fixed network products to customers in plastic-free packaging, and our O2 and giffgaff SIM cards are made from recycled plastic. We are also working closely with our suppliers to eliminate plastic packaging from our network's equipment.

We are also embracing sustainable design principles, ensuring that every new customer product takes environmental impact into account at the product development stage, like our new product scorecard that requires all new Virgin Media routers to be more efficient than the previous version.

We take our environmental impacts seriously. To ensure we have best practice governance, management systems, controls, targets and resources in place, we manage our primary environmental impacts through our ISO14001 certified Environmental Management System.

Help eradicate data poverty

The Better Connections plan sets out our ambitions to help eradicate data poverty, boost digital skills and improve digital literacy - connecting the disconnected across the UK so that everyone can participate in a digital society. Our aims are centred around three key 2025 targets:

- Connect 1 million digitally excluded people through free and affordable connectivity programmes, tariffs and services.
- Improve the digital literacy of 6 million people so they can access essential online services.
- Support 1 million people through our 'Take Five' employee volunteering programme.

To raise awareness of data poverty, and take steps to make access to data fairer, we established the UK's first ever National Databank in July 2021 with the Good Things Foundation. We have committed to donate 61 million GB of free data to the National Databank by the end of 2025 and we have successfully invited the involvement of Vodafone and Three to the scheme. We have also launched Tech Lending Community Hubs - connecting community groups with data, devices and support - and our Community Calling scheme re-homes old smartphones, together with a year's worth of free data, to those in need. We are also aiming to improve the digital literacy of 6 million people through tailored training that will help provide the digital skills and confidence.

To help disadvantaged people across the UK (including those on low incomes, Global Majority communities, low-skilled workers, and older people) get online and gain vital digital skills, we have pledged £2 million to Good Things Foundation as part of a new three-year partnership. One of the initiatives the funds will support is Learn My Way, a free online learning course for people that need support with digital skills and literacy. Created by Good Things Foundation and used by community groups and charities around the UK, we are helping to update it and make it available to more people.

We also seek to protect children, young people and vulnerable customers. We continued to build the digital confidence of parents and guardians during 2023 to help keep their children safe online through a partnership with Internet Matters, which supported 1.8 million parents and guardians seeking advice during the year. We implement age verification processes that restrict access, where possible, to 18-rated content.

In 2023, we encouraged our employees to play their part in our Better Connections Plan by taking advantage of our new Take Five volunteering programme, which offers up to five days of paid leave a year to volunteer in communities nationwide.

Our employees

Diversity, equity and inclusion
Our people strategy is focusing on business integration to foster a more diverse, equitable and inclusive organisation that is committed to the wellbeing, development and retention of our people, in addition to succession planning for the future. In 2023, we were proud to be awarded a Silver Award from LGBTQ+ organisation, Stonewall, and be named in their Top 100 Employers for 2023.

We are committed to improving our gender and ethnicity balance and ensuring that disabled employees can thrive at work. Our Diversity, Equity and Inclusion (**DE&I**) strategy has ambitious goals to be achieved by the end of 2027:

- Move the dial on diversity by having gender parity in our leadership population while driving towards gender parity across the organisation, in addition to increasing the representation of Global Majority employees to a minimum of 15% leadership and 25% across the business.
- Make equity part of everything we do.
- Put inclusion at the heart of how we do business.

We have a statutory obligation to publish annual gender pay gap reports for O2 and Virgin Media that detail our progress in this area. In line with our commitment to equity and increasing transparency we have also voluntarily disclosed our ethnicity pay gap for O2 and Virgin Media for 2023, as well as publishing an overall gender and ethnicity pay gap for Virgin Media O2.

Fair treatment in the workplace
We guarantee that all employees may exercise their employment rights and do not tolerate any situations of forced labour, threats, coercion, abuse, discrimination, violence, or intimidation in our working environment. We guarantee the right of our employees to belong to the trade union of their choice and we do not tolerate any kind of retaliation or hostile action towards employees who take part in trade union activities. We also have employment related grievance policies and processes, to resolve issues and concerns relating to an individual's employment.
We are committed to employment policies that are based on equal opportunities for all and the creation of a diverse and inclusive environment. We support the health and wellbeing of our employees and are committed to providing a range of occupational health and employee support services.

Our policies and line manager guidance ensures fair treatment of people with disabilities in relation to their recruitment, training, and development, for example:

- Reasonable adjustments and practical considerations relating to disabilities.
- Increasing the accessibility of our services making them more inclusive for disabled people.
- Importance of diversity and ensuring that discrimination does not occur.
- Importance of focusing on what people can do rather than what they cannot and challenging stereotypes about people with disabilities.
- E-learning which is available to all our employees to highlight the legal and behavioural aspects of DE&I

Engaging employees in sustainability
To ensure that our employees understand and integrate our Better Connections Plan into their every day activities, we are ensuring training is provided and that Environmental, Social and Governance (**ESG**) responsibilities are linked to our reward and recognition programme. Employees are also encouraged to get involved in our strategy by taking advantage of our volunteering programme, Take Five, which lets employees take five days of paid leave a year to volunteer in communities nationwide.

Our customers

Customer satisfaction is a key element of our strategy. See "Customer Service" on page 18 for further information.

Our suppliers

We aim to establish open, trusted and transparent relationships with our business partners and suppliers. And we expect our suppliers to maintain the highest ethical and environmental standards, in accordance with our Code of Conduct which we have updated to reflect the latest best practice.

To ensure ethical sourcing we operate a range of supplier policies designed to:

- Uphold our business values within our supply chains.
- Ensure the health and safety of workers in our supply chains.
- Ensure the quality of products and services we buy.
- Protect the privacy of our customers and ensure data security.

These policies can be found here: Suppliers - Virgin Media O2

We set clear sustainability expectations of our suppliers and have integrated ESG goals into our procurement processes. Suppliers are contractually committed to uphold our code of conduct and when we make major purchases they are also required to agree carbon reduction goals.
We take a zero-tolerance approach to modern slavery and human trafficking in our operations and supply chains. During the year, we

have undertaken modern slavery risk management reviews with high-risk suppliers - our annual Modern Slavery statement outlines our due diligence activities on this issue and can be accessed here: Modern Slavery Statement

We respect and actively promote nationally and internationally recognised human and employment rights, including those contained in the UN's Universal Declaration of Human Rights, and the principles related to the rights recognised by the International Labour Organisation and its Eight Fundamental Conventions.

Our Executive Management Team maintain oversight of supply chain sustainability management, and we also engage with sector initiatives such as the Joint Audit Cooperation to develop common sector sustainability standards.

Streamlined Energy and Carbon Report

We are pleased to report on our energy and carbon report for the financial year ended 31 December 2023.

The scope of the report includes our company owned stores, all corporate sites, switch and data centres, and cell sites (mast and antennae sites); it does not include O2 Franchise stores - these are separate legal entities.

The calculation approach is based on invoicing (where applicable) and estimation where the scope includes emission sources outside our operational control (for example landlord supplied sites). Emissions factors have been taken from the Department of Business, Energy and Industrial Strategy (**BEIS**) 2023 Conversion Factors.

Our Emissions

	2023 (tCO_2e)	**2022 (tCO_2e)**
Scope 1 - Direct emissions from activities owned or controlled by the Company. This is low impact and fuel used is primarily for space heating (gas) and fuel used in standby generators (diesel).		
Static fuel	**5,295**	5,426
Fugitive gases	**6,364**	13,184
Vehicle fuel	**13,191**	14,020
Total	**24,850**	32,630
Scope 2 - Indirect emissions into the atmosphere associated with purchased electricity, heat, steam and cooling. Emissions from electricity consumed across the following site types (cells, switch sites, offices and stores).		
Electricity (including renewables) - Location based	**229,151**	210,413
Electricity (excluding renewables) - Market based	**30,357**	38,763
Scope 1 and 2 – Total (Location based)	**254,001**	243,043
Scope 1 and 2 – Total (Market based)	**55,207**	71,393
Intensity Ratio (Scope 1 and 2 Market-based emissions per petabyte of data)	**1.23 tCO_2e/PB**	1.80 tCO_2e/PB[1]
Methodology for scope data	**GHG Protocol**	**GHG Protocol**
Total Energy Consumption (MWh)	**1,187,097**	1,171,285
Carbon offsets (tCO_2e)	**0.0**	0.0

[1] 2022 intensity ratio has been restated due to an improvement in the measurement of data usage.

We are committed to supporting the UK's roadmap to net zero and enabling a zero-carbon future. Here is an overview of our progress made during 2023 against our objectives:

Net Zero
We remain on a science-based target pathway and on course for our 2025 target to reduce operational (Scopes 1 and 2) emissions by 60%, with a 45% reduction on our 2020 baseline and 23% reduction versus our 2022 position. This was underpinned by the following performance:

a) Renewable energy: We continued to source 100% renewable electricity wherever we control the bill and focused on non-renewable electricity consumption from masts operating on third-party sites. In addition, we were able to ensure an additional 1,129 masts operating on third-party sites are on renewable electricity supplies and purchased renewable energy certificates (**REGOs**) to match to 47% of the non-renewable electricity consumption.

b) Fugitive gases: Emissions from fugitive gases reduced by 52% in 2023 compared to 2022 and 66% compared to our 2020 baseline. Principally this reduction is due to a reduction in fire suppression discharges and investment in fire suppression systems to replace with zero-carbon alternatives.

c) Fleet fuel: In 2023 we increased our electric fleet to 281 vehicles as we work towards a full electric vehicle transition by the end of 2030. We have continued to see challenges in the electric vehicle supply chain, including delays in receiving ordered, vehicles though this eased up towards the latter part of the year. Vehicle costs have increased significantly alongside the reduction in electric vehicle grants. Despite these challenges to transition, we have seen a 6% reduction fleet emissions versus last year and expect to see further reductions attributable to operational efficiency.

d) Static fuel: Emissions from static fuel sources reduced by 2% versus last year and 12% against our 2020 baseline. Emissions from gas heating have reduced by 26% since 2020, primarily driven by site consolidation and improvement in billing accuracy. Emissions from generators remain flat on 2020, despite network growth and investment in switching to low-carbon hydrogenated vegetable oil (**HVO**) as an alternative to diesel is expected to deliver reductions in line with our net zero pathway.

e) Energy efficiency and reduction: Alongside our market-based net zero goal, energy efficiency and reduction remain a key priority for us. During 2023 we have focused on the following initiatives:

   i. Procuring more efficient equipment across all areas of the business and putting energy consumption as a key decision factor in all business cases.
   ii. Continuing our three-year programme of decommissioning the legacy fixed line voice equipment.
   iii. Auditing technical sites to identify and remove other legacy kit and consolidate products to more modern and efficient platforms.
   iv. Extending our usage of RAN Power Management technologies to more masts and more hours of the day.
   v. Continuing to rollout free air cooling and more robust battery backup solutions across the Radio Network.
   vi. Proactively shutting down under-utilised 3G carriers as we move towards sunsetting of 3G technologies.
   vii. Deploying new site monitoring capabilities to optimise technical site cooling and enable raising of set points in our data centres.
   viii. Delivering XGS-PON full fibre rollout and beginning to migrate our customer base to enable the future shutdown of HFC and DOCSIS which is expected to deliver significant energy reduction.

Risk Factors

In addition to the information contained elsewhere in this Annual Report, you should consider the following risk factors in evaluating our results of operations, financial condition, business and operations. The risk factors described in this section have been separated into ten groups:

- Market dynamics;
- Security and privacy;
- Legal, Regulatory and compliance;
- Technology;
- Transformational;
- Financial;
- Economic and political;
- Supply chain;
- ESG;
- People.

Although we describe below and elsewhere in this Annual Report the risks we consider to be the most material, there may be other unknown or unpredictable economic, business, competitive, regulatory or other factors that could have material adverse effects on our results of operations, financial condition, business or operations in the future. In addition, past financial performance may not be a reliable indicator of future performance and historical trends should not be used to anticipate results or trends in future periods.

If any of the events described below were to occur, our businesses, prospects, financial condition, results of operations and cash flows could be materially adversely affected.

Market Dynamics

Adverse economic developments could reduce customer spending for our mobile, broadband internet, video and fixed-line telephony services and increase churn.
Most of our revenue is derived from customers (from consumers to enterprises and multinational companies) who could be impacted by adverse economic developments globally, in Europe and the UK. The current macroeconomic environment is highly volatile, with continued instability in global markets, including ongoing trade negotiations, uncertainty over inflation, energy price fluctuations, continued escalation in geopolitical tensions and global recession fears having all contributed to a challenging global economic environment, which may impact demand for our products and services. Future developments in our business are dependent upon a number of political and economic factors, including the additional borrowing incurred by countries during the COVID-19 pandemic and the potential for lower growth expectations, higher global interest rates and continued inflationary pressures. We cannot predict how long such challenging conditions may exist or the extent to which the markets in which we operate may deteriorate or the extent to which such conditions may impact our financial or operational results.

Unfavourable economic conditions, including the current cost-of-living crises in many of the countries in which we operate, may impact a significant number of our customers and the prices we are able to charge for our products and services, and, as a result, it may be (i) more difficult for us to attract new customers, (ii) more likely that customers will downgrade or disconnect their handsets, tariffs and services, (iii) less likely that customers will upgrade their handsets, tariffs and services and (iv) more difficult for us to maintain revenues at existing levels. The UK government may also seek new or increased tax, fee or other revenue sources due to fiscal deficits. Such actions may further adversely affect our results of operations. Accordingly, our ability to increase, or, in certain cases, maintain, our revenue, margins and liquidity could be materially adversely affected if the economic environment in the UK or Europe remains uncertain or declines. We are currently unable to predict the extent of any of these potential adverse effects.

We have substantial indebtedness that may have a material adverse effect on our available cash flow, our ability to obtain additional financing if necessary in the future, our flexibility in reacting to competitive and technological changes and our operations.
As of 31 December 2023, the outstanding principal amount of our consolidated debt, together with our lease obligations, aggregated £21.8 billion, including £3.4 billion that is classified as current on our consolidated statements of financial position and £13.0 billion that is not due until 2029 or thereafter. Our ability to pay principal and interest on or to refinance the outstanding indebtedness depends upon our operating performance, which will be affected by, amongst other things, general economic, financial, competitive, regulatory and other factors, some of which are beyond our control. Moreover, we may not be able to refinance or redeem such debt on commercially reasonable terms, on terms acceptable to us, or at all.

The level of our indebtedness could have important consequences, including the following:

- A substantial portion of our cash flow from operations will have to be dedicated to the payment of interest and principal on existing indebtedness, thereby reducing the funds available for other purposes;
- Our ability to obtain additional financing in the future for working capital, capital expenditures, product development, acquisitions or general corporate purposes may be impaired;
- Our flexibility in planning for, or reacting to, changes in our business, the competitive environment and the industry in which we operate, and to technological and other changes may be limited;
- We may be placed at a competitive disadvantage as compared to our competitors that are not as highly leveraged;
- Our substantial degree of leverage could make us more vulnerable in the event of a downturn in general economic conditions or adverse developments in our business; and
- We are exposed to risks inherent in interest rate and foreign exchange rate fluctuations.

Any of these or other consequences or events could have a material adverse effect on our ability to satisfy our debt obligations, which could adversely affect our business and operations.

We may not be able to fund our debt service obligations in the future.
We have significant outstanding indebtedness that could require a partial or comprehensive refinancing in future periods. Borrowings under the credit facility are currently due between 2026 and 2029, while the maturities of the existing senior notes and senior secured notes currently range from 2027 to 2031. See note 13 of the Notes to the Consolidated Financial Statements.

Our ability to implement such a refinancing successfully would be significantly dependent on stable debt capital markets. In addition, we may not achieve or sustain sufficient cash flow in the future for the payment of principal or interest on our indebtedness when due. Consequently, we may be forced to raise cash or reduce expenses by doing one or more of the following:

- Raising additional debt;
- Restructuring or refinancing our indebtedness prior to maturity on unfavourable terms;
- Selling or disposing of some of our assets, possibly on unfavourable terms;
- Issuing equity or equity-related instruments that will dilute the equity ownership interest of existing stockholders; or
- Forgoing potentially accretive business opportunities, including the introduction of new products and services, acquisitions and joint ventures.

We cannot be sure that any of, or a combination of, the above actions would be sufficient to fund our debt service obligations, particularly in times of turbulent capital markets.

The covenants under our debt agreements place certain limitations on our ability to finance future operations and how we manage our business.
The agreements that govern our indebtedness contain restrictive covenants and, under certain circumstances, maintenance covenants that restrict our ability to incur additional debt and limit the discretion of our management over various business matters. For example the restrictive covenants may impact our or our subsidiaries' ability to:

- Incur or guarantee additional indebtedness;
- Pay dividends or make other distributions, or redeem or repurchase equity interests or subordinated obligations;
- Make investments;
- Transfer, sell or dispose of certain assets, including the capital stock of subsidiaries;
- Enter into certain sale and leaseback transactions and certain vendor financing arrangements;
- Create liens;
- Make related-party loans;
- Merge or consolidate or transfer all or substantially all of our assets; and
- Enter into certain transactions with affiliates.

In addition, our credit facility includes a financial covenant that requires the borrower to maintain a certain leverage ratio if the drawings under the revolving credit facility exceed a certain percentage of the commitments under such revolving credit facility.

These limitations are subject to significant exceptions and qualifications, including the ability to pay dividends, make investments or to make significant prepayments of shareholder debt. However, these covenants could limit our ability to finance our future operations and capital needs and our ability to pursue business opportunities and activities that may be in our interest.

In addition, our ability to comply with the provisions of our debt instruments may be affected by adverse economic, competitive, or regulatory developments and other events beyond our control.

If we breach any of these covenants, or are unable to comply with any required financial ratios, we may be in default under our debt instruments. A significant portion of our indebtedness may then become immediately due and payable, and we may not have sufficient assets to repay amounts due thereunder. In addition, any default under these facilities could lead to an event of default and acceleration under other debt instruments that contain cross default or cross acceleration provisions, including the indentures governing our existing senior notes and senior secured notes.

These restrictions could also materially adversely affect our ability to finance future operations or capital needs or to engage in other business activities that may be in our best interest. We may also incur other indebtedness in the future that may contain financial or other covenants more restrictive than those applicable under our current indebtedness.

Our business may be affected by perceived health risks associated with electromagnetic radiation from base stations and associated equipment.
Concerns have been expressed that electromagnetic signals emitted by base stations may pose health risks. We have experienced masts being vandalised, and there is no guarantee that individuals who perceive network equipment to pose a health risk will not engage in further activities which may disrupt service to our customers, result in customer dissatisfaction, cause reputational harm or adversely affect our results of operations.

We are exposed to risk around demographic, financial and other actuarial assumptions on all of our defined benefit schemes.
The funding position of our defined benefit schemes, i.e. the TUK Pension Plan, the National Transcommunications Limited Pension Plan and the defined benefit scheme of the NTL 1999 Pension Scheme, are based on a variety of assumptions and factors outside of our control, including discount rates, inflation, asset returns, life expectancy and other actuarial assumptions.

Any variation in these assumptions could require us to make further contributions to our defined benefit schemes. Such contributions could be significant and have a negative impact on our financial condition and results of operations. While our defined benefit schemes are closed to further benefit accrual, we are committed to paying a defined level of benefits to eligible participants. In the event that the assets of our defined benefit schemes will not be sufficient to cover the value of the benefits owed, we will be required to finance such deficit and may be subject to investigation or enforcement action by the UK Pensions Regulator, which could have a material adverse effect on our financial condition and results of operations.

The 'Virgin' and 'O2' brands are not owned by us and the activities of the Virgin Group, O2 Worldwide Limited and other licensees of either brand (whether operating in the same industry or in other industries) could have a material adverse effect on the goodwill of customers towards us as a licensee.
The 'Virgin' and 'O2' brands are integral to our corporate identity. We do not own these brands and use them under licences from a third-party and a related-party, respectively. We are also reliant on the general goodwill of consumers towards such brands.

The 'Virgin' brand licences from Virgin Enterprises Limited can be terminated in certain circumstances. For example, Virgin Enterprises Limited can terminate the licence, after providing us with an opportunity to cure, (i) if we or any of our affiliates commit persistent and material breaches or a flagrant and material breach of the licences, (ii) if Virgin Enterprises Limited has reasonable grounds to believe that the use (or lack of use) of the licensed trademarks by us has been or is likely to result in a long-term and material diminution in the value of the 'Virgin' brand, or (iii) if a third-party who is not (or one of whose directors is not) a "fit and proper person," such as a legally disqualified director or a bankrupt entity, acquires 'control' of Liberty Global and Telefónica.

In addition, our business currently markets the vast majority of its products and services under the 'O2', 'O2 Refresh' and 'Priority' brands and related rights (the 'O2 Brand Rights'). However, our business does not own the O2 Brand Rights, but rather has a right to use the O2 Brand Rights in the UK pursuant to the terms of a licence (the 'O2 Trademark Licence') between Telefonica UK Limited and O2 Worldwide Limited, a Telefónica subsidiary and related-party, which is for an indefinite term.

VMED O2 has the right to use the O2 Brand Rights in the UK pursuant to the terms of a licence (the **O2 JV Trademark Licence**) entered into between O2 Worldwide Limited and VMED O2. The O2 Trademark Licence, which entitles VMED O2 to use the O2 Brand Rights and related intellectual property, has been granted on a royalty-bearing basis, also for an indefinite term. The O2 Trademark Licence and the O2 JV Trademark Licence may be terminated in certain circumstances, including material non-use for a period of 24 months or material breach.

If VMED O2 was unable to continue to use the O2 Brand Rights or the 'Virgin' brand due to a termination of the O2 Trademark Licence, the O2 JV Trademark Licence and the brand licence from Virgin Enterprises Limited for any reason, significant time, effort and resources would be required to establish a new brand identity which could have a material adverse effect on our business and results of operations.

Adverse publicity in relation to the Virgin Group or its principals, particularly Sir Richard Branson who is closely associated with the 'Virgin' brand, or in relation to another licensee of the 'Virgin' name and logo in another industry (particularly in the UK) could have a material adverse effect on our reputation, business and results of operations. The 'O2' brand is also used in markets outside of the UK over which we will have no control. The management of the O2 brand globally resides with O2 Worldwide Limited and not our business. Any adverse publicity as a result of actions of licensees of the 'O2' brand in such markets could have a material adverse effect on our reputation, business and results of operations.

Our fixed-line telephony revenue is declining and unlikely to improve.
Business and residential fixed-line telephony usage is declining across the industry. There is a risk that business and residential customers will migrate from using fixed-line telephony to using other forms of telephony, such as VoIP, or mobile. There is no assurance that our fixed-line telephony customers will migrate to our mobile phones and they may eventually shift to other providers of mobile telephony services. Such a migration could have a material adverse effect on our results of operations, revenue and financial condition.

Our failure to maintain and further develop our direct and indirect distribution channels may affect our ability to acquire new customers and retain existing customers.
We acquire new customers, and upgrade existing customers, both via direct distribution channels (i.e. our shops, franchised shops, our website and mobile app and telesales) and indirect distribution channels (i.e. third-party retailers, as well as business partners, distributors, wholesale partnerships and MVNOs). There can be no assurance, however, that we will be able to maintain, grow or invest in our direct distribution channels. For example, we may be unable to maintain a competitive online presence, enter into new shop leases or renew existing shop leases on favourable terms, or at all. Similarly, we may be unable to find suitable replacement premises if leases of any of our existing premises are terminated prior to their stated expiration date. In addition, there can be no assurance that our current or future franchisees will continue to partner with us on favourable terms, or at all. Furthermore, there can be no assurance that we will recover any costs associated with investments in our direct distribution channels or that investing in maintaining or expanding our distribution channels will result in an increase in our revenues. Any failure to maintain, grow or invest in our direct distribution channels could adversely affect our business, cash flows, results of operations and financial condition.

We rely heavily on indirect distribution as a means of reaching to a broader range of customers and as a supplement to our direct distribution channels. There is no assurance that our existing arrangements with indirect distribution partners will continue beyond their terms. Indirect distributors may sell mobile contracts on behalf of a number of different MNOs, offering similar packages to those sold by the MNOs through their own direct distribution channels. As a result, indirect distributors may be viewed by some consumers as a price comparison hub for different tariff plans between MNOs and as offering more independent advice regarding the relative merits of such plans. This positioning of indirect distributors may give such distributors a degree of bargaining power in the negotiation of agreements with MNOs (including their agreements with us) and their commission fee. There is no assurance that the indirect distributors will not enter into preferential agreements with our competitors or decline to continue to enter into agreements with us, either on terms acceptable to us or at all.

Our failure to maintain key indirect distribution relationships or expand our direct and indirect distribution presence (both through physical stores and online), or any failure by indirect distribution partners to procure new customers, could result in our being unable to retain or grow our market share and increase the costs of acquiring and retaining customers.

Conversely, if indirect distribution partner growth is not appropriately directed, there is a risk of 'substitution', where customers switch from our direct channels to the channel provided by an indirect partner, thereby adversely impacting our profitability. Any, or a combination, of the foregoing could have a material adverse effect on our business, cash flows, results of operations and financial condition.

Security and Privacy

A failure in our network and information systems, whether caused by a natural failure or a security breach, could significantly disrupt our operations.
Certain network and information systems are critical to our business activities. Network and information systems may be affected by cyber security incidents that can result from deliberate attacks or system failures. These may include, but are not limited to computer hackings, computer viruses, worms, ransomware or other destructive or disruptive software, or other malicious activities against our systems as well as third-party sites, which could affect the security of our customers' accounts. Cyber security breaches, internal security breaches, physical security breaches or other unauthorised or accidental access to our servers, other information systems or databases could result in tampering with, or the theft or publication of, sensitive business information or personal consumer information or the deletion or modification of records, or could otherwise cause interruptions in our operations. Our network and information systems may also be the subject of power outages, fire, natural disasters, terrorist attacks, war or other similar events. Theft of metals is particularly acute in the UK due to high prices for scrap metal, and our network is not immune to such thefts. Such events could result in a degradation of, or disruption to, our fixed-line and mobile services, and could prevent us from billing and collecting revenue due to us or could damage our equipment and data or could result in damage to our reputation. Disruption to services could result in excessive call volumes to call centres that may not be able to cope with such volume, which could in turn have a material adverse effect on our reputation and brands. Our plans for recovery from, and resilience to, such challenges may not be sufficient. The amount and scope of insurance we maintain against losses resulting from these events may not be sufficient to cover our losses or otherwise adequately compensate us for any disruptions to our business that may result. Although we have not detected another material security breach or cybersecurity incident to date, we have been the target of events of this nature and expect to be subject to similar attacks in the future. See "Security and Privacy – A failure to comply with data protection laws may result in significant fines and reputational damage" below.

Sustained or repeated failures of our own or third-party systems that interrupt our ability to provide services to our customers, prevent us from billing and collecting revenue, or that otherwise prevent us from meeting our obligations in a timely manner, could materially adversely affect our reputation and result in a loss of customers and revenue. These network and information systems-related events could also require significant expenditures to repair or replace damaged networks or information systems or to protect them from similar events in the future and the payment of compensation or other goodwill payments to affected customers. Further, any security breaches, such as misappropriation, misuse, penetration by viruses, worms or other destructive or disruptive software, leakage, falsification or the accidental release or loss of information maintained in our information technology systems and networks or those of our business partners (including customer, personnel and vendor data) could damage our reputation, result in legal and regulatory action against us, and require us to expend significant capital and other resources to remedy any such security breach. As a result of the increasing awareness concerning the importance of safeguarding personal information, the potential misuse of such information and legislation that has been adopted or is being considered regarding the protection, privacy and security of personal information, the liability associated with information-related risks is increasing, particularly for businesses like ours that handle a large amount of personal customer data. The occurrence of any such network or information system-related events or security breaches could have a material adverse effect on our business and results of operations.

A failure to comply with data protection laws may result in significant fines and reputational damage.
We process a substantial amount of customer data as part of our day-to-day business. In the event of a data breach (of any kind) which impacts personal data, we have notification obligations to the ICO, impacted data subjects, and in some cases under our commercial contracts. The ICO has the power to fine companies up to £17.5 million or 4% of global group turnover, whichever is greater, in respect of breaches of the UK GDPR, which may include a data breach. Data subject can levy claims for compensation (which can be aggregated into a 'class style' litigation) in respect of any breaches of UK data protection law where such breach causes them damage. The ICO can also issue fines of up to £500,000 for breaches of the Privacy and Electronic Communications Regulations, which includes the obligation for telecom providers to report data breaches within 24-hours. In addition, we may be liable under certain of our commercial contracts in the event of certain data breaches. In the event of any large-scale data breach, we may incur significant time and expense in investigating and remedying any such breach. Furthermore, the reputational impacts of a data breach, especially in an industry where customer trust is paramount and the processing of customer data is essential, are likely to be extensive and could have a material adverse effect on our business and results of operations. See "Economic and Political - We are subject to significant regulation, and changes in UK and EU laws, regulations, governmental policy affecting the conduct of our business, or other risks relating to claims, may have a material adverse effect on our ability to set prices, enter new markets or control our costs" below.

Unauthorised access to our network resulting in piracy could result in a loss of revenue.
We rely on the integrity of our technology to ensure that our services are provided only to identifiable paying customers. Increasingly sophisticated means of illicit piracy of television, broadband internet and telephony services are continually being developed in response to evolving technologies. Furthermore, billing and revenue generation for our pay television services rely on the proper functioning of our encryption systems. While we continue to invest in measures to manage unauthorised access to our networks, any such unauthorised access to our cable television service could result in a loss of revenue, and any failure to respond to security breaches could raise concerns under our agreements with content providers,

all of which could have a material adverse effect on our business and results of operations.

We are required to comply with payment card industry standards on data security.
In order to provide card payment services to our customers, we are required to comply with the Payment Card Industry Data Security Standards (**PCI-DSS**) implemented by major card schemes, including Visa, Mastercard, American Express, Discover and JCB. These standards are in addition to our regulatory obligations. PCI-DSS is a set of requirements intended to ensure that all companies that process, store or transmit payment card information maintain secure systems and processes that protect payment card data. The cost of complying with evolving PCI-DSS standards could be significant, and we could experience problems and interruptions associated with the implementation of new or upgraded systems and technology or with maintenance of existing systems required for compliance.

Under PCI-DSS, we are required to complete an annual certification assessment, which consistent of an external audit performed by a Qualified Security Assessor. Any failure to comply with PCI-DSS may result in fines and obligations to implement remediation measures to ensure compliance. Any sustained failure to comply with PCI-DSS or to meet any remediation obligations within the time frames imposed could result in revocation of our authority to take card payments. This would mean that our customers would be unable to pay for purchases via card payment, resulting in significant reputational damage, increased customer churn rates and reduced revenue, all of which could have a material adverse effect on our business, cash flows, results of operations and financial condition.

Legal, Regulatory and Compliance

Potential changes to the award of mobile Crown Commercial Services contracts could result in a loss of revenue.
The Cabinet Office of the UK Government, through Crown Commercial Services (**CCS**), has undertaken a project examining the feasibility of creating a new Public Sector Mobile Service to replace the existing framework agreements under Lot 6 of the Network Services Framework through which O2 provides public sector services. We currently derive significant revenues from our services under the current Network Services Framework and any potential changes to the award of mobile services contracts by CCS, or the failure to secure a position on future frameworks, could result in a loss of revenue and have a material adverse effect on our business, cash flows and results of operation and financial condition.

We are exposed to risks in relation to compliance with anti-corruption laws and regulations and economic sanctions programmes.
We are subject to various anti-corruption laws (including the United Kingdom Bribery Act of 2010), and economic sanctions programmes, including (but not limited to) those administered by the UN and the UK. The anti-corruption laws generally prohibit providing anything of value to government officials for the purposes of obtaining or retaining business or securing any improper business advantage. We may deal with entities the employees of which are considered government officials. In addition, economic sanctions programmes restrict our business dealings with certain sanctioned countries, individuals and entities.

Although we have internal policies and procedures designed to ensure compliance with applicable anti-corruption laws and sanctions regulations, including policies applicable to third parties with whom we deal as franchisees and outsourced service providers, there can be no assurance that such policies and procedures will be sufficient or that our employees, directors, officers, partners, agents and service providers will not take actions in violation of our policies and procedures (or otherwise in violation of the relevant anti-corruption laws and sanctions regulations) for which we or they may be ultimately held responsible. Violations of anti-corruption laws and sanctions regulations could lead to financial penalties, exclusion from government contracts, damage to our reputation and other consequences that could have a material adverse effect on our business, cash flows, results of operations and financial condition. See "Business of the Group".

Possible environmental, social and governance, regulatory or political changes could lead us to recognise assets as impaired.
We review on an annual basis, or more frequently when the circumstances require it, the value of assets and our cash-generating unit, to assess whether their carrying values can be supported by the future expected cash flows, including, in some cases, synergies in connection with acquisition costs.

Potential changes in our regulatory, business, economic or political environment, in particular in relation to ESG issues, may result in the need for us to introduce changes in recognition of impairments in goodwill, intangible assets, property, plant and equipment or financial assets.

Our operations and properties are subject to extensive laws, ordinances, regulations and other legal requirements relating to the protection of people and the environment. These laws and regulations are also subject to constant review by lawmakers and regulators which may result in further, including more stringent, environmental or health and safety legal requirements. This could lead to an asset depreciation or reduction in the useful life of our assets, which could have a material adverse effect on our business and results of operations.

Technology

Our inability to maintain insurance coverage in line with good industry practice as well as meeting all UK legal insurance requirements may have a material effect on our business and results of operations.
VMED O2 is insured for, amongst other things but not limited to, material damage and business interruption, crime and cyber risk, corporate/general/public liability, products liability, property damage, environmental liability, technology media, errors and omission, terrorism, patent infringement, pension trustee liability, motor fleet insurance, personal accident and travel, UK warehouse, Marine and Airside, Employer's liability and Directors' and officers' liability. In the event we are unable to insure against such risks in the future or maintain insurance coverage in line with good industry practices and UK legal insurance requirements, any catastrophic event that affects our business could prevent us from providing services to our customers and result in substantial uninsured losses that would have a material adverse effect on our business and results of operations.

Changes in technology, and our ability to develop and introduce new and enhanced products, may limit the competitiveness of and demand for our services.
Technology in the video, telecommunications and data services industries is changing rapidly, including advances in current technologies and the emergence of new technologies. New technologies, products and services may impact consumer or business customer behaviour and therefore demand for our products and services. The ability to anticipate changes in technology and consumer tastes and to develop and introduce new and enhanced products and services on a timely basis will affect our ability to continue to grow, increase our revenue and number of subscribers and remain competitive. New products and services, once marketed, may not meet consumer expectations or demand, can be subject to delays in development and may fail to operate as intended. A lack of market acceptance of new products and services that we may offer, or the development of significant competitive products or services by others, could have a material adverse impact on our business, financial condition, results of operations or cash flow. While we continue to work with various commercial and academic organisations on technological innovation and strategic areas of improvements, including the deployment of 5G to expand our capacity and capability, there is no assurance that such partnerships will continue in the future.

Customers have an ever increasing demand for our services and products. In order to continually deliver excellent customer experiences across our network and products, it is key that our systems keep pace with demand and service expectations, which requires us to make significant investment in our transmission and core network to support future growth. A failure in our network capacity may result in, amongst other things, a partial or total failure of 2G, 3G, 4G and 5G coverage and associated costs, reputational damage, and potential breach of MVNO contracts relating to use of our network. As a result, we must also continue to increase and improve the functionality, availability, and characteristics of our network, particularly by improving its bandwidth capacity latency and coverage to meet the growing demand for the services that require very-high-speed, lower latency telephony, data and internet services as the telecommunications industry is facing challenges relating to: (i) rapid, significant technological evolution; (ii) frequent improvement of existing products or services resulting from the emergence of new technologies; and (iii) the establishment of new industry practices and standards that make current systems and technologies obsolete. There can be no assurance that we will have sufficient capital to finance such upgrades or that such upgrades will generate a positive return.

A failure to adequately manage our legacy technologies and transformation could result in a loss of existing customers, a failure to attract new customers and an increased likelihood of data security incidents.
We must adequately manage our legacy technologies, systems and platforms (including servers and software) which have reached, or are approaching, the 'end of life' stage of their life-cycle and which, therefore, will no longer be supported. Capital expenditure will be required to ensure sufficient security is maintained in respect of legacy products and to ensure a smooth transition to supported replacements. A failure to adequately support legacy systems and to properly procure their replacement may result in a negative impact on the provision of services to customers, resulting in a loss of existing customers and making it more difficult to attract new customers, as well as an increased likelihood of data security incidents.

Our ability to meet growing customer demand for mobile services and to expand our business depends, in part, on the capacity, speed and reliability of our mobile network which in turn depends on our ability to adequately manage network capacity and usage levels, successfully implement capacity expansion and yield management strategies, and acquire additional spectrum.
We are currently one of two operators with the least amount of spectrum of any MNO in the UK alongside Three. Recent technological advances and changes in customer behaviour and demands, including the increasing prevalence of smartphones and tablets and the use of data intensive applications on such devices (such as streaming of high definition video and making video calls), have resulted in substantial growth in mobile data volumes.

We currently experience periods where localised sections of our network become capacity constrained, particularly during peak usage times. If mobile data volumes continue to grow at current rates, and we are unable to secure additional network capacity, our mobile network capacity may become severely constrained in the short-to medium-term. Such severe capacity constraints could create speed and reliability issues on our mobile network and could cause significant service issues for our customers. Such service issues could result in customer dissatisfaction and could potentially lead to increased customer deactivation rates (also referred to as customer churn rates) and damage to our reputation. This could, in turn, have a material adverse impact on our business strategy and brand, and may result in us losing market share and being unable to grow our business.

Although we may be able to grow our mobile network capacity and thereby alleviate some or all of these capacity constraints by acquiring additional spectrum, there is no assurance that we will be able to acquire additional spectrum on commercially reasonable terms or at all. In addition, while Ofcom may hold additional spectrum auctions in the future, no assurance can be given that such additional spectrum auctions will not also be delayed (whether due to legal challenges or otherwise at the discretion of Ofcom), or that they will be held at all. If and when such auctions occur, we may be unsuccessful in acquiring spectrum at a commercially acceptable price, or at all, in particular given the number of other potential bidders for spectrum, some of which may have substantially greater financial resources than us. In the event we are unable to acquire spectrum as part of any future auction, we may be unable to acquire additional spectrum by means of a commercial agreement with another spectrum licence holder. Such spectrum trading is rare in the UK, any such agreement would be subject to Ofcom's consent and holders may be unwilling to sell spectrum to competitors for various strategic and commercial reasons.

We seek to manage capacity constraints and network speed and reliability on an ongoing basis through a variety of yield management techniques. However, there can be no assurance that such strategies and techniques will be effective, particularly in dense urban city areas where capacity constraints can be more acute. Any failure to obtain adequate spectrum and to successfully implement any capacity expansion and any yield management strategies in a timely manner or in a manner sufficient to address our network capacity constraints could have a range of adverse effects on our business. In particular, it could result in a deterioration of customer experience with our mobile network which would result in increased customer dissatisfaction and therefore increased customer churn rates, greater costs associated with attracting and retaining customers and potentially significant damage to our brand and reputation.

We may also be unable to meet our service obligations under our existing arrangements with MVNOs or enter into new MVNO arrangements. Any one or all of these outcomes may also adversely affect our ability to continue to grow our business or may even result in our business declining, and would likely have a material adverse effect on our business, cash flows, results of operations and financial condition.

Transformational

Our significant property, plant and equipment additions, namely in connection with our Network Extension, upgrade of our fixed-line network to full FTTP deployment of our 5G network and through the new fibre joint venture nexfibre to build a wholesale network in the UK, may not generate a positive return.

Significant additions to our property, plant and equipment are, or in the future may be, required to add customers to our networks and to upgrade or expand our broadband communications networks and upgrade CPE to enhance our service offerings and improve the customer experience.

Additions to our property, plant and equipment, which are currently underway, including in connection with our Network Extension and deployment of our 5G network, or are planned such as our intention announced in July 2021 to upgrade our fixed-line network to full FTTP, require significant capital expenditures for equipment and associated labour costs to build out and upgrade our networks as well as for related CPE. In particular, we have incurred, and will in the future incur, significant capital expenses for the deployment of new technologies such as our 5G network related to the purchase of frequencies and the deployment of network infrastructures for our mobile operations. New technologies and the use of multiple applications increasing customers' bandwidth requirements could lead to saturation of the networks and require telecommunications operators to make additional investments to increase their infrastructure capacity.

Additionally, significant competition, the introduction of new technologies, the expansion of existing technologies, such as Fibre to the 'x' (**FTTx**) and advanced DSL technologies, the impact of natural disasters, or adverse regulatory developments could cause us to decide to undertake previously unplanned builds or upgrades of our networks and CPE.

No assurance can be given that any rebuilds, upgrades or extensions of our network (including the Network Extension and deployment of our 5G network) will increase penetration rates, increase fixed-line or mobile revenue, or otherwise generate positive returns as anticipated, or that we will have adequate capital available to finance such rebuilds, upgrades or extensions. Additionally, costs related to our Network Extension, the FTTP upgrade of our fixed-line network, the deployment of our 5G network and property, plant and equipment additions could end up being greater than originally anticipated or planned. For example, the decision of the UK government to require the removal of all Huawei equipment from 5G networks by 2027 may result in the incurrence of costs that were not originally contemplated in connection with our 5G network roll-out and may increase our reliance on certain other suppliers for the deployment of our 5G network. If our costs are greater than originally anticipated, we may require additional financing sooner than anticipated or we may have to delay or abandon some or all of our deployment, development and expansion plans or otherwise forgo market opportunities.

Additional financing may not be available on favourable terms, if at all, and our ability to incur additional debt will be limited by our debt agreements. If we are unable to, or elect not to, pay for costs associated with adding new customers, expanding, extending or upgrading our networks or making our other planned or unplanned additions to our property, plant and equipment, or are delayed in making such investments, our growth could be limited and our competitive position could be harmed.

On 29 July 2022, Liberty Global and Telefónica announced an agreement with investment firm InfraVia Capital Partners to form a new fibre joint venture to build a wholesale FTTH network in the UK, the transaction completed in December 2022 under the brand name nexfibre. nexfibre will roll out fibre to 5 million greenfield homes not currently served by VMED O2's network by 2026, with the opportunity to expand to an additional approximately 2 million greenfield homes. VMED O2 will commit to being an anchor tenant of the new network, extending its total fibre footprint to up to 23 million homes, as well as providing its well-established network expansion expertise, systems and relationships to nexfibre, including construction, IT, technology and corporate services. There can be no assurance that such transaction or roll out will result in anticipated positive returns or be completed on the estimated timelines or at all.

The expected benefits and synergies from the Joint Venture Transactions may not materialise.

As a result of the Joint Venture Transactions, we expect to achieve certain benefits and synergies relating to the operations of Virgin Media and O2. We may not realise any or all of the anticipated synergies of the Joint Venture Transactions that we currently anticipate. Our estimated synergies from the Joint Venture Transactions are subject to a number of assumptions about the timing, execution and costs associated with realising such synergies as well as the business model of the Joint Venture. In addition, we may be presented with significant costs and challenges in connection with the integration of Virgin Media and O2. Such assumptions are inherently uncertain and are subject to a wide variety of significant business, economic and competition risks and uncertainties. There can be no assurance that such assumptions will turn out to be correct and, as a result, the amount of synergies that we will actually realise and the timing of any such realisation may differ significantly from (and may be significantly lower than) the ones that we currently estimate. In addition, there can be no assurance that the business objectives of the Joint Venture Transactions will be achieved, particularly as the achievement of the benefits are, in many important respects, subject to factors that we do not control, including the responses of third parties with whom Virgin Media and O2 enter into contracts and do business.

The integration of Virgin Media and O2 is a significant exercise and could adversely affect the Joint Venture's business.

Integrating the operations of Virgin Media and O2 may divert the attention of the Joint Venture's management away from other business operations. Successful integration of Virgin Media's and O2's operations, products and personnel may place a significant burden on our management and other internal resources. The diversion of management's attention, and any difficulties encountered in the transition and integration process, could harm our business, financial conditions and operating results. In addition, we may lose employees who are instrumental for the integration and further development of the Joint Venture, as well as customers and suppliers. Any of these risks could have a material adverse impact on our results of operations. Such integration may be difficult, unpredictable and subject to delay because of possible company culture conflicts and different opinions on the Joint Venture's strategy and operations. We may not be successful in integrating some or all these businesses as currently anticipated, which may have a material adverse effect on our business and operations.

As a result of the Joint Venture Transactions, we have recorded a significant amount of goodwill, which could be subject to impairment. We have recorded substantial amounts of goodwill and intangible asset values in connection with the Joint Venture Transactions. The intangibles have been recorded based upon our estimates of their fair values, and goodwill has been recorded based on the excess of the amounts paid as part of the Joint Venture Transactions based on the fair value of the Joint Venture's net assets at the date of the respective Contributions. As of 31 December 2023, an amount of £7.3 billion and £9.7 billion of intangibles subject to amortisation, net, and goodwill, respectively, was recorded with respect to the Joint Venture Transactions. See note 9 of the Notes to the Consolidated Financial Statements.

Following the recording of the fair value of the net assets contributed in connection with the Joint Venture Transactions, we may subsequently experience unforeseen issues with VMED O2's business, which may adversely affect the anticipated returns or value of the intangible assets and trigger an evaluation of the recoverability of the recorded goodwill and intangible assets related to the Joint Venture Transactions. If management's projections used in its fair value calculations change, the estimated fair value could decline significantly and result in impairment. The related non-cash charge in the income statement could have a material adverse effect on our results of operations, net equity or financial condition.

The Joint Venture will depend on Liberty Global and Telefónica as well as third-party suppliers and licensors to supply necessary equipment, software and certain services required for the Joint Venture's business.
The Joint Venture will rely on the Joint Venture Parents for the continued provision of key services, processes, resources and other assets (collectively, the **Business Services**) to support the business operations of VMED O2. Material services, resources or other assets will be provided either: (i) directly to the Joint Venture by the Joint Venture Parents (or other entities within their respective groups); or (ii) provided by third parties under arrangements in place with the Joint Venture Parents (or other entities within their respective groups). The continued provision of these services will be addressed by a services agreement between the Joint Venture and each of its Joint Venture Parents. If either Joint Venture Parent (or any other service provider within their respective groups) fails to perform its obligations under the services agreement, the Joint Venture will be required to provide the Business Services itself or to obtain substitute arrangements with third parties. The Joint Venture may be unable to provide the Business Service internally because of technical, financial or other constraints and may be unable to implement substitute arrangements with third parties on a timely basis on terms that are commercially acceptable and cost-effective. A failure by either Joint Venture Parent to provide Business Services in accordance with the services agreement could have a material adverse impact on the operations of VMED O2.

Financial

We are subject to foreign currency and exchange rate risks.
We are subject to foreign currency exchange rate risks because substantially all of our revenue and operating expenses are paid in pounds sterling, but we pay interest and principal obligations with respect to portions of our indebtedness in United States (**US**) dollars and euros. To the extent that the pound sterling declines in value against the US dollar and the euro, the effective cost of servicing our US dollar and euro-denominated debt will be higher. Changes in the exchange rate result in foreign currency gains or losses.

We also incur costs in US dollars and euro in the ordinary course of our business, including for CPE and network maintenance services. Any deterioration in the value of the pound sterling relative to the US dollar or the euro could cause an increase in the effective cost of purchases made in these currencies.

We are exposed to interest rate risks and other adverse changes in the credit market. Shifts in such rates may adversely affect our debt service obligations.
We require a significant amount of capital to operate and grow our business. We fund our capital needs in part through borrowings in the public and private credit markets. Adverse changes in the credit markets, including increases in interest rates, could increase our cost of borrowing and make it more difficult for us to obtain financing for our operations or refinance existing indebtedness. In addition, our borrowing costs can be affected by short- and long-term debt ratings assigned by independent rating agencies, which are based, in significant part, on our performance as measured by customary credit metrics. A decrease in these ratings would likely increase our cost of borrowing and make it more difficult for us to obtain financing. A severe disruption in the global financial markets could impact some of the financial institutions with which we do business, and such instability could also affect our access to financing.

We are subject to interest rate risks as we have certain interest determined on a variable basis, either through unhedged variable rate debt or derivative hedging contracts. We are exposed to the risk of fluctuations in interest rates, primarily through the credit facilities of certain of our subsidiaries, which are indexed to the Sterling Overnight Index Average (**SONIA**), Term Secured Overnight Financing Rate (**Term SOFR**) and the Euro Interbank Offered Rate (**EURIBOR**) or other base rates. Although we enter into various derivative transactions to manage exposure to movements in interest rates, there can be no assurance that we will be able to continue to do so at a reasonable cost or at all. If we are unable to effectively manage our interest rate exposure through derivative transactions, any increase in market interest rates would increase our interest rate exposure and debt service obligations, which would exacerbate the risks associated with our leveraged capital structure.

There have been significant changes in the benchmark interest rates used to set floating rates on our debt and derivative instruments. ICE Benchmark Administration (the entity that administers LIBOR) ceased to publish GBP LIBOR rates after 31 December 2021, and it ceased to publish USD LIBOR after 30 June 2023. EURIBOR has been reformed and has been granted regulatory approval to continue to be used.

On 6 March 2023, the European Money Markets Institute (**EMMI**) announced proposed enhancements to EURIBOR's hybrid methodology that will be phased in over six months starting mid-May 2024. Currently, the contribution made by the panel banks follows a three-level waterfall approach including transactions from the observation period, derived or historical transactions or "expert judgement" grounded on transactions from nearby markets. The new methodology will end the use of "expert judgement" to determine the EURIBOR rate and certain historical transactions will be linked to the Euro Short-Term Rate (**€STR**), bringing the risk profile of EURIBOR closer to that of €STR. While the changes are expected to reduce the risk exposure for panel banks, there is uncertainty regarding the impact on rates and money market spreads from a possible increased fixing volatility.

We have agreed amendments in respect of all of our debt and derivative instruments to replace the ceased rates. For USD, these reference Term SOFR administered by CME Group Benchmark Administration Limited. For GBP, these reference the SONIA.

We are subject to tax in more than one tax jurisdiction and our structure poses various tax risks.
We are subject to taxation in multiple jurisdictions including the UK and the US. Our effective tax rate and tax liability will be affected by a number of factors in addition to our operating results, including the amount of taxable income in particular jurisdictions, the tax rates in those jurisdictions, tax treaties between jurisdictions, the manner in which and the extent to which we transfer funds to and repatriate funds from our subsidiaries, accounting standards and changes in accounting standards, and future changes in the law. We may incur losses in one jurisdiction that cannot be offset against income earned in a different jurisdiction and, as a result, may pay income taxes in one jurisdiction for a particular period even though on an overall basis we incur a net loss for that period.

We may have exposure to additional tax liabilities.
We are subject to income taxes as well as non-income based taxes, such as VAT in the UK and the US. In addition, the tax jurisdictions that we operate in have complex and subjective rules regarding the valuation of intercompany services, cross-border payments between affiliated companies and the related effects on income tax, VAT and transfer tax. Significant judgment is required in determining our worldwide provision for income taxes and other tax liabilities. In the ordinary course of our business, there are many transactions and calculations where the ultimate tax determination is uncertain. We are regularly under audit by tax authorities in the jurisdictions in which we operate. These audits may lead to disputes with tax authorities which may result in litigation. Although we believe that our tax estimates are reasonable, any material differences as a result of final determinations of tax audits or tax disputes could have an adverse effect on our financial position and results of operations in the period or periods for which determination is made.

We are subject to changing tax laws, treaties and regulations in and between countries in which we operate, including treaties between and amongst the UK and the US. Also, various income tax proposals in the jurisdictions in which we operate could result in changes to the existing laws on which our taxes and deferred taxes are calculated. A change in these tax laws, treaties or regulations, or in the interpretation thereof, could result in a materially higher income or non-income tax expense, and any such changes could cause a material change in our effective tax rate.

Adverse changes in our financial outlook may result in negative or unexpected tax consequences which could adversely affect our net income.
Future adverse changes in the underlying profitability and financial outlook of our operations could cause us to decrease the level of recognition of our deferred tax assets, which could materially and adversely affect our consolidated statements of financial position and statement of profit or loss. A change in the level of deferred tax recognition will not result in any change to the amount of cash payments we make to the tax authorities.

We are exposed to the risk of default by the counterparties to our cash investments, derivative and other financial instruments, and undrawn debt facilities.
Although we seek to manage the credit risks associated with our cash investments, derivative and other financial instruments, and undrawn debt facilities, we are exposed to the risk that our counterparties will default on their obligations to us. While we regularly review our credit exposures and currently have no specific concerns about the creditworthiness of any counterparty for which we have material credit risk exposures, we cannot rule out the possibility that one or more of our counterparties could fail or otherwise be unable to meet its obligations to us. Any such instance of default or failure could have an adverse effect on our cash flows, results of operations, financial condition and liquidity.

In this regard, (i) we may incur losses to the extent that we are unable to recover debts owed to us, including cash deposited and the value of financial losses, (ii) we may incur significant costs to recover amounts owed to us, and such recovery may take a long period of time or may not be possible at all, (iii) our derivative liabilities may be accelerated by the default of our counterparty, (iv) we may be exposed to financial risks as a result of the termination of affected derivative contracts, and it may be costly or impossible to replace such contracts or otherwise mitigate such risks, (v) amounts available under committed credit facilities may be reduced and (vi) disruption to the credit markets could adversely impact our ability to access debt financing on favourable terms, or at all.
As of 31 December 2023, our exposure to counterparty credit risk included (i) derivative assets with an aggregate fair value of £567.9 million, (ii) aggregate undrawn debt facilities of £1,548.8 million and (iii) cash and cash equivalent and restricted cash balances of £286.5 million. For more information on our debt and derivative instruments please see notes 13 and 17, respectively, of the Notes to the Consolidated Financial Statements.

The interests of the Joint Venture Parents, the direct or indirect parent companies of the Joint Venture, may conflict with our interests and those of the holders of our debt.
Liberty Global and Telefónica (collectively, the **Joint Venture Parents**) are the shareholders in our parent company, directly or indirectly owning all of the voting interests in VMED O2 UK Limited. When business opportunities, or risks and risk allocation arise, the interests of the Joint Venture Parents (or other entities controlled by the Joint Venture Parents) may be different from, or in conflict with, our interests on a stand-alone basis or the interests of holders of our debt. Because we are indirectly controlled by the Joint Venture Parents, the Joint Venture Parents may allocate certain or all of their risks to us and there can be no assurance that the Joint Venture Parents will permit us to pursue certain business opportunities.

We are a holding Company dependent upon cash flow from operating entities to meet our obligations.
Certain entities within the Group are holding companies with no independent operations or significant assets other than investments in their operating entities. Each of these holding companies depends upon the receipt of sufficient funds from their operating entities to meet their obligations.

The terms of our credit facility and other indebtedness limit the payment of dividends, loan repayments and other distributions to or from these companies under certain circumstances. Various agreements governing our debt may restrict and, in some cases, may also prohibit the ability of these operating entities to move cash within their restricted group. Applicable tax laws may also subject such payments to further taxation. Applicable law may also limit the amounts that some of our operating entities will be permitted to pay as dividends or distributions on their equity interests or as loans, or even prevent such payments.

Strategic transactions present many risks, and we may not realise the financial and strategic goals that were contemplated at the time of any transaction.
From time to time we have made acquisitions, dispositions and have entered into other strategic transactions (including spectrum auctions). In connection with such transactions, we may incur unanticipated expenses, fail to realise anticipated benefits and synergies, have difficulty integrating the combined businesses, disrupt relationships with current and new employees, customers and suppliers, incur significant indebtedness or experience delays or fail to proceed with announced transactions. These factors could have a material adverse effect on our business and our reputation.

Economical and Political

We operate in increasingly competitive markets, and there is a risk that we will not be able to effectively compete with other service providers.

The markets for mobile, broadband internet, cable television and fixed-line telephony services in which we operate are highly competitive and, in certain markets, we compete with established companies that hold positions of market power in these and closely related markets. We face competition from these companies, other established companies and potential new entrants. Technological advances may increase competition or alter the competitive dynamics of markets in which we operate. For example, we face increasing competition from video services provided by, or over the networks of, the incumbent telecommunications operators and other service providers. As the availability and speed of broadband internet and mobile connectivity increases, we also face competition from OTT voice and video call services (such as Skype, Apple FaceTime, Facebook Messenger, WhatsApp, Google Hangouts and Zoom) and video service providers utilising our or our competitors' high-speed internet connections. In the provision of telephony and broadband internet services, we are experiencing increasing competition from the incumbent telecommunications operators and other service providers in the UK, as well as providers of mobile voice and data. In addition, continued consolidation within the media industry may permit more competitors to offer 'triple-play' bundles of digital television, fixed-line telephony and broadband internet services, or 'quad-play' bundles including mobile telephony services. Developments in DSL technologies, as well as investments into FTTx technology by the incumbent telecommunications operators and alternative providers, in particular the deployment of full fibre networks, have improved the attractiveness of our competitors' products and services and strengthened their competitive position. Developments in and extensive deployment of wireless technologies, such as 5G and fixed wireless access (**FWA**), are creating additional competitive challenges.

In order to compete effectively, we may be required to reduce the prices we charge for our services (for example, due to aggressive pricing from our SIMO competitors or increase the value of our services (for example, by offering increased data with handset bundles) without being able to recoup associated costs. We may also need to pursue legal and regulatory actions. In addition, some of our competitors offer services that we are unable to offer. We expect the level and intensity of competition to continue to increase from both existing competitors and the influx of new market entrants as a result of changes in the regulatory framework of the industries in which we operate, as well as strategic alliances and cooperative relationships amongst industry participants. Increased competition could result in increased customer churn, reductions of customer acquisition rates for some products and services and significant price and promotional competition in our markets. Additionally, we may see intensified competition in bidding processes for new and existing projects or customers, and potential losses of business, public sector customers or distributors to other market participants. In combination with difficult economic environments, these competitive pressures could have a material adverse effect on our business, cash flows, results of operations and financial condition.

We are subject to significant regulation, and changes in UK laws, regulations, governmental policy affecting the conduct of our business, or other risks relating to claims, may have a material adverse effect on our ability to set prices, enter new markets or control our costs.
Our principal business activities are regulated and supervised by Ofcom, the FCA, the ICO and the Competition and Markets Authority, amongst other regulators. Regulatory change is an ongoing process in the communications sector at both the UK and EU level. Following the UK's departure from the EU and completion of the transition period on 31 December 2020, the direct impact of changes in EU regulation on the UK regulatory environment has ended. The relationship with the EU is now governed by the relevant sections of the EU-UK Agreement.

Changes in laws, regulations or governmental policy affecting our activities and those of our competitors could significantly influence how we operate our business and introduce new products and services. For example, regulatory changes relating to our activities and those of our competitors, such as changes relating to the form of our commercial propositions, third-party access to infrastructure, the costs of interconnection with other networks, our relationships with third-party programming providers and broadcasters, the prices of competing products and services, or any change in policy allowing more favourable conditions for other operators, could adversely affect our ability to set prices, enter new markets or control our costs. In particular, Ofcom may attempt to require us to make available access to our ducts or may attempt to impose regulation on the fixed-line network, which is currently unregulated. Ofcom may also attempt to impose regulation to address any competition concerns in the future.

Our ability to introduce new products and services may also be affected if we cannot predict how existing or future laws, regulations or policies would apply to such products or services. In addition, our business and the industry in which we operate are subject to investigation by regulators and claims brought by private parties, which could lead to enforcement actions, fines and penalties (including restrictions imposed on, or the removal of, both licences to offer regulated propositions and persons licensed under the Senior Managers & Certification Regime) or the assertion of private litigation claims and damages. For example, in the past, Ofcom has conducted enforcement investigations into our business regarding the availability of its network and billing practices. Any such action in the future could harm our reputation and result in increased costs to the business, which could have a material adverse effect on our financial position, our results of operations or our cash flows.

We are also subject to accreditation requirements with respect to certain of our business products and services provided to public sector organisations in the UK. We have security accreditations across a range of business products and services for public sector organisations in the UK, which are granted subject to periodic reviews of our policies and procedures by UK governmental entities. If we were to fail to maintain an accreditation or to obtain a new one when required, it could impact our ability to provide certain offerings to the public sector.

We are exposed to sovereign debt and currency instability risks that could have an adverse impact on our liquidity, financial condition and cash flows.
Our operations are subject to macroeconomic and political risks that are outside of our control. For example, high levels of sovereign debt, combined with weak growth and high unemployment, could potentially lead to fiscal reforms (including austerity measures), tax increases, sovereign debt restructurings, currency instability, increased counterparty credit risk, high levels of volatility and disruptions in the credit and equity markets, as well as other outcomes that might adversely impact us. With regard to currency instability issues, concerns exist in the eurozone with respect to individual macro-fundamentals on a country-by-country basis, as well as with respect to the overall stability of the European monetary union and the suitability of a single currency to appropriately deal with specific fiscal management and sovereign debt issues in individual eurozone countries. The realisation of these concerns could lead to the exit of one or more countries from the European monetary union and the re-introduction of individual currencies in these countries, or, in more extreme circumstances, the possible dissolution of the European monetary union entirely, which could result in the redenomination of a portion or, in the extreme case, all of our euro-denominated assets, liabilities and cash flows to the new currency of the country in which they originated. This could result in a mismatch in the currencies of our assets, liabilities and cash flows. Any such mismatch, together with the capital market disruption that would likely accompany any such redenomination event, could have a material adverse impact on our liquidity and financial condition. Furthermore, any redenomination event would likely be accompanied by significant economic dislocation, particularly within the eurozone countries, which in turn could have an adverse impact on demand for our products and services, and accordingly, on our revenue and cash flows. In light of the significant exposure that we have to the euro through our euro-denominated borrowings, derivative instruments, cash balances and cash flows, a redenomination event could have a material adverse impact on us.

We are subject to increasing operating costs and inflation risks, which may adversely affect our results of operations.
While our operations attempt to increase our subscription rates to offset increases in programming and operating costs, there is no assurance that they will be able to do so. Our ability to increase subscription rates is subject to regulatory controls and competitive pressures. Therefore, operating costs may rise faster than associated revenue, resulting in a material negative impact on our cash flow and net (loss) earnings. We are also impacted by inflationary increases in salaries, wages, benefits and other administrative costs in the UK.

Macroeconomic events, such as political unrest in international markets, terrorist attacks, malicious human acts, natural disasters, pandemics or epidemics and other similar events, including the ongoing invasion of Ukraine by Russia, and the Israeli-Palestinian conflict, may have an adverse effect on our business.
Our operations are subject to macroeconomic risks, including but not limited to political unrest, instability in international markets, terrorist attacks, malicious human acts, armed conflict, natural disasters, pandemics and epidemics, that are outside of our control. For example, high levels of sovereign debt, combined with weak growth and high unemployment, could potentially lead to fiscal reforms (including austerity measures), tax increases, sovereign debt restructurings, currency instability, increased counterparty credit risk, high levels of volatility and disruptions in the credit and equity markets, as well as other outcomes that might adversely impact our business.

Supply chain

We depend on third-party suppliers and licensors to supply necessary equipment, software and certain services required for our businesses.
We rely on third-party vendors for the equipment, software and services that we require in order to provide services to our customers, and maintain significant outsourcing partnerships in connection with our customer services and management obligations. We are also heavily reliant on both certain handset suppliers to provide in-demand models to be offered in conjunction with our mobile services, and certain suppliers in relation to maintenance of our network and services and the provision of parts. Our suppliers often conduct business worldwide and their ability to meet our needs is subject to various risks, including political and economic instability, natural calamities, interruptions in transportation systems, terrorism, labour issues and pandemics (including the COVID-19 pandemic). While it is not currently possible to estimate the duration and severity of any such future instability, calamities, interruptions or pandemic or the adverse economic impact resulting from them, an extended period of local or global economic disruption could have a material adverse impact on the ability of our suppliers and vendors to provide products and services to us. As a result, we may not be able to obtain the equipment, software or services required for our businesses on a timely basis or on satisfactory terms. Any shortfall in CPE could lead to delays in completing extensions to our networks and in connecting customers to our services and, accordingly, could adversely impact our ability to maintain or increase our revenue generating units (**RGUs**), fixed and mobile connections, revenue and cash flows. Also, if demand exceeds the suppliers' and licensors' capacity or if they experience financial difficulties, the ability of our businesses to provide some services may be materially adversely affected, which in turn could affect our businesses' ability to attract and retain customers or our ability to maintain our relationships with distributors and MVNOs. Although we actively monitor the creditworthiness of our key third-party suppliers and licensors, the

financial failure of a key third-party supplier or licensor could disrupt our operations and have an adverse impact on our revenue and cash flows.

We rely upon intellectual property that is owned or licensed by us to use various technologies, conduct our operations and sell our products and services. Legal challenges could be made against our use of our licensed intellectual property rights (such as trademarks, patents and trade secrets) and we may be required to enter into licensing arrangements with licensors on unfavourable terms, incur monetary damages or be enjoined from use of the intellectual property rights in question.

Failure of our suppliers to comply with our social and environmental guidelines may result in harm to our reputation and brands, which may have a negative impact on our business, sustainability rating and financial position. If we experience a need to replace an existing supplier, including due to their non-compliance with our social and environmental guidelines, there can be no assurance that additional manufacturing capacity will be available when required on terms acceptable to us. In addition, even if we were able to find new suppliers on acceptable terms, we may encounter delays in production and added costs as a result of the time it would take to train such suppliers in our methods, products, quality control standards, labour, health and safety standards, which could have a material adverse effect on our business and results of operations.

We face risks associated with the activities of device manufacturers, including disintermediation and commoditisation risks, and risks relating to our ability to secure adequate and timely supply of handsets that experience high demand.
The importance of device manufacturers in the handset market gives rise to disintermediation and commoditisation risks.

Our business is dependent on our customer relationships. Therefore, any strategies or technologies that enable such device manufacturers, particularly those with significant market presence, to leverage their existing brand awareness to dominate customer relationships, or which otherwise compete with our offerings, could undermine the effectiveness of our customer-focused strategies. In particular, the development of technologies that enable device manufacturers to offer handsets with e-SIMs or no physical SIM card at all (referred to as **soft-SIMs**), such that those handsets are compatible with, and therefore can be used on, any mobile network, presents a risk to our current business strategy. Soft-SIMs or e-SIMs would enable customers to select a mobile service provider, or switch mobile service providers, directly via their handset without the need to directly engage with an MNO or MVNO. The availability of such soft-SIMs or e-SIMs, combined with competitive handset financing terms offered by certain device manufacturers, may lead customers to view their core relationship as being with the device manufacturer rather than with their mobile service provider and may undermine our investment in our customer relationships and our ability to acquire new, and retain existing, customers. There is no assurance that customer preferences may not shift such that they purchase handsets directly through device manufacturers rather than from us, as a result of which our opportunity to cross-sell additional services and products in adjacent markets will also be significantly limited.

Our results of operations and financial condition have also been and are expected to continue to be influenced by the availability and perceived attractiveness of new handsets, and particularly new generations of smartphones. Accordingly, our success depends in part on the ability to secure timely access to, and sufficient supplies of, handsets and other products that experience high demand.

While we have entered into agreements for the supply of such products with device manufacturers and other suppliers, in certain cases the relevant supplier is under no obligation to supply us with a specific or minimum number of devices. On the contrary, we are under an obligation to order certain minimum agreed volumes under some of our contracts, and a failure to make such minimum orders may result in contractual penalties being imposed. This discrepancy between the supplier's obligations and the minimum order quantity obligation on us results in uncertainty regarding the volume or timing of supply. In addition, if our competitors were able to secure access to, and begin selling, handsets ahead of us, or if device manufacturers or other suppliers were to provide preferential treatment to, or were to enter into exclusive agreements with, one or more of our competitors, then we may be unable to secure an adequate supply of handsets on a timely basis to meet customer demand, which may result in decreased revenue, a loss of market share, reputational damage and a loss of customer loyalty.

In addition, several factors may result in decreased demand for new handsets, including any decrease in the actual or perceived attractiveness and levels of innovation in new generations of handsets or their operating systems, an increase in sustainability concerns amongst customers, including a heightened awareness of the environmental impact of routine handset consumption, or a slowing of new release cycles. This may reduce our ability to acquire new customers and retain existing customers as well as to cross-sell other products and services, as customers become less eager to enter into new contracts with us as a means of financing their purchases of new handsets. Under such circumstances, customers may also seek out competitively priced SIMO contracts, which may result in decreased revenue which could have a material adverse effect on our results of operations and financial condition.

Our mobile services rely on the radio access networks of third-party wireless network providers to carry our mobile communications traffic.
Our services to mobile customers rely on the use of network sharing and network extension arrangements in which we utilise the radio access networks of third-party wireless network providers to carry our mobile communications traffic, including our network sharing arrangement with Vodafone which has enabled the roll-out of 5G through site sharing, and the partnership between the UK government, Ofcom and other MNOs which helps to deliver increased coverage for remote areas. If any of our network sharing or network extension arrangements are terminated, or if the respective third-party wireless network provider fails to provide the services required under a network sharing or network extension arrangement, or if the respective third-party wireless network provider fails to deploy and maintain its network, and we are unable to find a replacement network operator on a timely and commercially reasonable basis or at all, we could be prevented from continuing the mobile services relying on such network sharing or network extension arrangement. In turn, this could potentially affect our ability to support the MVNOs relying on our network to offer their own services to customers. Additionally, as our network sharing and network extension arrangements come to term, we may not be able to renegotiate renewal or replacement arrangements on the same or more favourable terms.

We depend almost exclusively on our relationships with third-party programming providers and broadcasters for programming content, and a failure to acquire a wide selection of popular programming on acceptable terms could adversely affect our business.
We enter into agreements for the provision of television programmes and channels distributed via our entertainment service (some of which are also offered as O2 Extras alongside a customer's tariff) with programme providers, such as public and commercial broadcasters, or providers of pay or on-demand television and services. We have historically obtained a significant amount of our premium programming and some of our basic programming and pay-per-view sporting events from Sky.

Sky is also one of our main competitors in the television services business. Sky is a leading supplier of programming to pay television platforms in the UK and is the exclusive supplier of some programming, including its Sky Sports channels and Sky Cinema channels, which are the most popular premium subscription sports and film channels available in the UK.

The Sky Sports channels, Sky Cinema channels and the TNT Sports channels are available on our entertainment services, however, there can be no assurance that we will be able to continue carrying such channels at a reasonable cost after the current contracts end.

Other significant programming and app suppliers include the BBC, ITV, Channel 4, UKTV, Viacom Inc. (including Five), Discovery Communications Inc., Disney, Sky, Turner (a division of Time Warner Inc.), Netflix, Calm, Cafeyn and Amazon. Our dependence on these and other suppliers for television programming could have a material adverse effect on our ability to provide attractive programming at a reasonable cost. We also rely on the products of some of these suppliers of television programming to incentivise customers to enter into contracts for our mobile services. Without their offering, the number of customer subscriptions may be adversely affected. Additionally, we are frequently negotiating and renegotiating programming agreements and our annual costs for programming can vary. There can be no assurance that we will be able to renegotiate or renew the terms of our programming agreements on acceptable terms or at all. There has also been a rise in the number of direct-to-consumer offerings from content owners which impacts negotiations and the content, rights and restrictions available. Programming and copyright costs represent a significant portion of our operating costs and are subject to increases in future periods due to various factors, including (i) higher costs associated with the expansion of our digital video content, including rights associated with ancillary product offerings and rights that provide for the broadcast of live sporting events, and (ii) rate increases.

If we are unable to obtain or retain attractively priced competitive content, demand for our existing and future video services could decrease, thereby limiting our ability to attract new customers, maintain existing customers and migrate customers from lower tier programming to higher tier programming, thereby inhibiting our ability to execute our business plans. Furthermore, we may be placed at a competitive disadvantage if certain of our competitors obtain exclusive programming rights, particularly with respect to popular sports and movie programming, and as certain players in the OTT market, for example Netflix, Amazon and Disney, increasingly produce their own exclusive content and distribute direct to consumers.

ESG

Regulatory and government action on climate change may drive medium-to-long-term increases in operational cost.
Due to the nature of our operations, we are subject to regulatory developments and government action on climate change through energy-specific regulations and legislation in the UK Examples include circular economy regulations for electrical products and packaging, regulation of greenhouse gas emissions, carbon pricing, fuel mix, energy and fuel cost, and energy policy. Changes in regulations and legislation results in changes in the market. Increased fuel or energy prices could make it more expensive to purchase energy to power our networks and data centres. An increase in the tax on fuel could increase the cost associated with operating our large vehicle fleet where those vehicles are dependent on traditional fuels. Implementation of a carbon taxation policy could impact VMED O2 by directly putting a price on our emissions, which would impact our operational costs.

Regulators' increased focus on environmental factors could also mean that our business becomes more scrutinised and that any failure to comply with such new regulations and laws could result in financial sanctions or fines. If we violate or fail to comply with these laws and regulations, we could be subject to civil and administrative sanctions and liabilities, including substantial fines and orders, or a partial or total shutdown of our operations, as well as litigation, any of which could have a material adverse effect on our business, financial condition and results of operations.

The sustainability programme of the Joint Venture's operations may be viewed as inadequate with regard to our environmental impacts by customers, regulators and government, leading to damage to our reputation and brands.
Based on the nature of our operations and electricity required to run our network, customers could perceive the Virgin Media and O2 brands as detracting from a transition to a lower-carbon economy, particularly if we fail to successfully demonstrate efforts to reduce our environmental impact. Our customers, employees, and other stakeholders expect us to be environmentally responsible and take appropriate measures to minimise the impact of our operations on the environment. While we have publicly committed to achieving emissions reduction, net zero, waste and circularity targets, failure to achieve these targets or increasing expectations of a company's contribution to tackling the climate crisis may lead to damage of our brands and reputation that could have a material adverse effect on our business, growth prospects, results of operations and financial condition.

Our business may not anticipate or adapt in a timely manner to changing customer demands and new ethical or social standards, which could adversely affect our business and our reputation.
To maintain and improve its position in the market in comparison to its competitors, it is vital that our business has the ability to anticipate and adapt to the evolving needs and demands of its customers, and that it avoids commercial actions that may generate a negative perception of VMED O2 or the products and services it offers, or that may have or be perceived to have a negative impact on society. In addition to harming our business' reputation, such actions could also result in fines and other sanctions. There is growing societal and regulatory demand for companies to behave in a socially responsible manner. In addition, the risks associated with potential damage to a brand's reputation have become more relevant, especially due to the

impact that the publication of news through social networks can have. If our business is not able to anticipate or adapt to the evolving needs and demands of its customers or avoid inappropriate actions, its reputation could be adversely affected or it could otherwise have an adverse effect on the business, financial condition, results of operations and cash flows of VMED O2.

Climate change may drive medium-term to long-term increases in operational costs to address the impact of changing climate and weather patterns, including changing levels of precipitation, mean temperatures and sea level rise and the impact of regulation.
Medium-to-long-term our operational costs may increase as a result of shifts in climate patterns, and the threat of these issues may impact current and future business decisions related to our network, data centres and facilities. It could also impact our operational costs through increased energy usage and spend to prepare or repair facilities. Rising and extreme temperatures could cause our cooling infrastructure to run more frequently and, in turn, present an additional burden to local power and water resources. Increased risk of flooding to low-lying facilities and infrastructure due to longer-term increases in precipitation patterns could increase operating costs to maintain and repair facilities and network equipment. Decreased precipitation could generate drought conditions that could create an increased burden to local water resources, which are required to operate our cooling infrastructure. These impacts could also result in drops in productivity or increased operational costs for our suppliers that would be passed on to us, which could have a material adverse effect on our business and results of operations.

People

Certain of our employees are represented by trade unions and we may be affected by strikes or collective action by such unionised employees.
A number of our employees within our general population and middle management levels are represented by trade unions, being the Communications Workers Union and Prospect, respectively, and we are party to voluntary collective agreements with those unions. We have not, to date, experienced any material issues or been involved in any significant disputes with these unions or the employees they represent. However, there can be no assurance that such issues or disputes will not arise in the future, including breakdowns in the bargaining process between us and the trade unions concerned. Any such disagreement or dispute could result in our being unable to continue to negotiate wages, salaries, bonuses and work time flexibility on terms that we consider to be acceptable and appropriate, or could lead to strikes or other industrial action (or the threat of strikes or industrial action) which could damage our brands and reputation and could, in turn, have a material adverse effect on our business, growth prospects, results of operations and financial condition.

The loss of certain key personnel could harm our business.
We have experienced employees at both the corporate and operational levels who possess substantial knowledge of our business and operations. There can be no assurance that we will retain the services of these employees or that we would be successful in hiring and training suitable replacements without undue costs or delays. As a result, the loss of any of these key employees could cause significant disruptions in our business operations, which could materially adversely affect our results of operations.

We may fail to attract or retain qualified, high quality personnel.
Given the substantial competition in the market for skilled and qualified personnel with relevant technical, industry and operational experience, there can be no assurance that we will be able to attract or retain suitably qualified, high quality replacements on similar terms to those on which it currently engage our employees. We may also incur significant additional costs in recruiting and retaining suitable replacements. Any loss of experienced personnel or a failure to recruit suitably qualified, high quality personnel could therefore have a material adverse effect on our business cash flows, results of operations and financial condition.

Management's Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis, which should be read in conjunction with our consolidated financial statements, is intended to assist in providing an understanding of our results of operations and financial condition and is organised as follows:

- **Overview.** This section provides a general description of our business and recent events.
- **Discussion and Analysis of our Results of Operations.** This section provides an analysis of our results of operations, as applicable, for the years ended 31 December 2023 and 2022.
- **Liquidity and Capital Resources.** This section provides an analysis of our corporate and subsidiary liquidity and our consolidated statements of cash flows.
- **Quantitative and Qualitative Disclosures about Market Risk.** This section provides discussion and analysis of the foreign currency, interest rate and other market risks that our Company faces.

Certain capitalised terms used below have been defined in the Notes to the Consolidated Financial Statements included in this Annual Report. In the following text, the terms "we," "our," "our Company" and "us" refer to VMED O2 or, collectively, to VMED O2 and its subsidiaries.

Unless otherwise indicated, convenience translations into pound sterling are calculated as of 31 December 2023. For information on the accounting policies, judgements, and estimates used by management, please refer to the Critical Accounting Policies, Judgements and Estimates section note 2 of the Notes to the Consolidated Financial Statements.

Overview

General
VMED O2 is an integrated communications provider of mobile, broadband internet, video and fixed-line telephony services to residential customers and organisations in the UK.

Operations
As of 31 December 2023, our fixed-line network is able to service 17.0 million homes and served 5.8 million fixed-line customers, with 5.7 million customers taking a broadband internet product. In addition, as of 31 December 2023, we served 35.2 million retail mobile connections and 9.6 million wholesale mobile connections. For more information regarding our business and the services we provide to customers, see "Business of the Group" from page 6.

Fixed
Our fixed-line network operated under the Virgin Media brand provides broadband internet, video, and fixed-line telephony services in the UK. We are one of the UK's largest providers of residential communications services in terms of the number of customers.

Mobile
Our mobile network is a leading UK MNO whose primary business is providing mobile telecommunications and related services. We offer a comprehensive range of mobile services and products to customers, including mobile voice, messaging and data services, and sales of handsets, tablets, wearable devices and other hardware. In addition, we offer a range of value-add services and products including digital payment services and insurance products. We operate through the O2 brand, but also seek to access additional customer groups through the giffgaff brand and MVNO partnerships.

Business and Wholesale
We provide business services to large enterprise, public sector and small & medium business customers as well as wholesale and MVNO partners. Through our converged offering we provide flexibility and choice with connectivity solutions across our award-winning fixed and mobile networks, as well as integrated voice, mobility, security, and cloud solutions. We leverage our expertise and understanding of the customer through our data assets to create customer-first solutions through 5G private networks, and IoT connectivity, empowering customers to solve real-time business challenges and harness innovation. Additionally, we provide a range of construction and corporate services to nexfibre.

Strategy and Management Focus
Our commercial momentum is underpinned by three growth drivers:

Integration
As part of the Joint Venture we are driving financial synergies effective integration. Significant cost savings include MVNO migration and structural right-sizing, commercial benefits include driving FMC.

Digital Transformation
We aim to focus on the improvements in customer experience in the short and long-term. We have achieved an improved customer understanding, interaction and greater customer engagement. By leveraging data and analytics from our strong customer relationships, we aim to provide the best products and services to our customers. We are working towards digitalising our operations, such as transactions and back-office systems for efficiency and better organisation effectiveness, in order to deliver best-in-class experience to our customers.

Network Evolution

We are expanding our footprint and upgrading our capabilities to provide high-quality connectivity to current and potential customers. Through our fibre upgrade programme, we are upgrading our existing network to a full-fibre network in order to future-proof our long-term converged offering, including expanding our 5G mobile network which increases coverage while improving reliability and speed. Our other efforts involve providing construction and corporate services to, and wholesaling from the nexfibre FTTH network enabling us to access up to a further 7 million homes. When combined with the fibre upgrade programme we would be able to service up to 23 million homes with fibre.

Competition and Other External Factors

We are experiencing competition from incumbent telecommunications operators, direct-to-home satellite operators in addition to other providers. This competition, together with macroeconomic and regulatory factors, has impacted our revenue, number of customers in addition to average monthly subscription revenue per fixed-line customer, as applicable (**ARPU**).

For additional information regarding the competition we face, see "Business of the Group - Competition" on page 19.

Discussion and Analysis of our Results of Operations

The discussion presented in this section provides an analysis of our revenue and operating costs (excluding depreciation and amortisation, and share-based compensation expense) for the years ended 31 December 2023, and 2022. Our results are set forth below:

Revenue reconciliation

We derive our revenue from residential and B2B communications services, including mobile, broadband internet, video and fixed-line telephony services.

Variances in the subscription revenue that we receive from our customers are a function of (i) changes in the number of customer relationships or mobile subscribers outstanding during the period and (ii) changes in ARPU. Changes in ARPU can be attributable to (a) changes in prices, (b) changes in bundling or promotional discounts, (c) changes in the tier of services selected, (d) variances in subscriber usage patterns and (e) the overall mix of fixed and mobile products during the period.

	Year ended 31 December 2023 in millions			Year ended 31 December 2022 in millions			Increase / (decrease) in millions		
	Transaction Adjusted Revenue (g)	**Adjustment**	**Revenue**	**Transaction Adjusted Revenue (g)**	**Adjustment**	**Revenue**	**Transaction Adjusted Revenue (g)**	**Adjustment**	**Revenue**
Mobile (a)	£ 5,949.3	£ —	£ 5,949.3	£ 5,913.7	£ —	£ 5,913.7	£ 35.6	£ —	£ 35.6
Handset (a)	1,521.1	—	1,521.1	1,614.6	—	1,614.6	(93.5)	—	(93.5)
Fixed	3,879.2	6.5	3,872.7	3,970.7	17.1	3,953.6	(91.5)	(10.6)	(80.9)
Consumer fixed (b)	3,325.2	—	3,325.2	3,403.0	4.3	3,398.7	(77.8)	(4.3)	(73.5)
Subscription (c)	3,266.6	—	3,266.6	3,334.0	4.3	3,329.7	(67.4)	(4.3)	(63.1)
Other (d)	58.6	—	58.6	69.0	—	69.0	(10.4)	—	(10.4)
B2B fixed (e)	554.0	6.5	547.5	567.7	12.8	554.9	(13.7)	(6.3)	(7.4)
Other (f)	1,094.7	4.0	1,090.7	497.5	4.8	492.7	597.2	(0.8)	598.0
Total	**£ 10,923.2**	**£ 10.5**	**£ 10,912.7**	**£ 10,381.9**	**£ 21.9**	**£10,360.0**	**£ 541.3**	**£ (11.4)**	**£ 552.7**

Table shows the transaction adjusted revenue, less the transaction adjustment giving actual revenue. For further explanation on the revenue streams, please see note 5 of the Notes to the Consolidated Financial Statements.

(a) Mobile revenue includes amounts received from residential and B2B customers for ongoing services and, amongst other items, revenue from sales of mobile handsets and interconnect revenue. Mobile revenue increased £35.6 million or 0.6% during the year ended 31 December 2023, as compared to the corresponding period in 2022. This increase is primarily due to price increases implemented in April 2023, partially offset by low-margin handset revenue performance which weakened through the year.

(b) Consumer fixed revenue includes subscription and other revenue for ongoing services and the recognition of deferred installation revenue over the associated contract period. Consumer fixed revenue decreased £73.5 million or 2.2% during the year ended 31 December 2023, as compared to the corresponding period in 2022. This decrease is primarily due to a decrease in subscription revenue of £63.1 million or 1.9% caused by the implementation of price rises being more than offset by the reduction in ARPU reflecting changes in customer mix driven by household spend optimisation predominantly on mid-tier TV and home phone customers.

(c) Consumer fixed subscription revenue includes revenue from subscribers who purchase bundled services at a discounted rate and is generally allocated proportionally to each service based on the standalone price for each individual service. As a result, changes in the standalone pricing of our fixed-line and mobile products or the composition of bundles can contribute to changes in our product revenue categories from period to period. Additionally, we include revenue from certain SoHo subscribers who pay a premium price to receive expanded service levels that are the same or similar to the mass-marketed products offered to our residential subscribers.

(d) Consumer fixed other revenue includes, amongst other items, channel carriage fees, late fees and revenue from the sale of equipment.

(e) B2B fixed revenue includes (i) revenue from business broadband internet, video and fixed-line telephony services offered to medium to large enterprises and, on a wholesale basis, to other operators and (ii) revenue from long-term leases of portions of our network. B2B fixed revenue decreased £7.4 million or 1.3% during the year ended 31 December 2023, as compared to the corresponding period in 2022.

(f) Other revenue includes primarily revenue from construction management activities provided to nexfibre, amongst other items such as, corporate activities provided to nexfibre the sale of handset insurance policies, SMIP, the provision of ICT services, associated connectivity to O2 business customers, and other services. Other revenue increased £598.0 million or 121.4% during the year ended 31 December 2023, when compared to the corresponding period in 2022. This increase is primarily due to (i) £579.4 million of revenue related to construction managed activities associated with nexfibre, which commenced in the final quarter of the comparative period, and (ii) £37.8 million of revenue in Q3 related to a change in a related-party contract from an ongoing profit share to fixed commissions for sales of handset insurance policies to customers.

(g) The APMs, including 'Transaction Adjusted Revenue', are applied consistently throughout the Annual Report. The APMs are defined in full and reconciled to the reported statutory measure in note 32 of the Notes to the Consolidated Financial Statements.

Profit reconciliation

Most of our revenue is subject to VAT or similar revenue-based taxes. Any increases in these taxes could have an adverse impact on our ability to maintain or increase our revenue to the extent that we are unable to pass such tax increases on to our customers. In the case of revenue-based taxes for which we are the ultimate taxpayer, we will also experience increases in our operating expenses and corresponding declines in our Adjusted EBITDA and Adjusted EBITDA margin (Adjusted EBITDA divided by revenue) to the extent of any such tax increases. As we use the term, "Adjusted EBITDA" is defined as profit (loss) from continuing operations before net income tax (expense) benefit, other non-operating income or expenses, share of results of investments accounted for by the equity method, net finance income (costs), depreciation and amortisation, share-based compensation, impairment, restructuring and other operating items and Costs to Capture (**CTC**) operating expenses. Share-based compensation for the purposes of calculating Adjusted EBITDA also includes awards granted to our employees that are settled with Liberty Global or Telefónica shares. Opex CTC generally include incremental, third-party operating costs that are directly associated with integration activities, restructuring activities and certain other costs associated with aligning our business processes to derive synergies.

We are subject to inflationary pressures with respect to certain costs. Any cost increases that we are not able to pass on to our subscribers through rate increases would result in increased pressure on our operating margins.

	Year ended 31 December		Increase (decrease)	
	2023	2022	£	%
	in millions, except percentages			
Revenue	£ 10,912.7	£ 10,360.0	£ 552.7	5.3 %
Cost of sales	3,734.5	3,425.8	308.7	9.0 %
Personnel expenses	697.1	690.4	6.7	1.0 %
Other expenses	2,469.0	2,386.8	82.2	3.4 %
Opex CTC included in the above	(83.9)	(74.6)	9.3	12.5 %
Adjusted EBITDA[1]	**4,096.0**	**3,931.6**	**164.4**	**4.2 %**
Transaction Adjustments	6.3	(26.2)	(32.5)	(124.0) %
Transaction Adjusted EBITDA[1]	**4,102.3**	**3,905.4**	**196.9**	**5.0 %**
Transaction Adjusted EBITDA[1]	**4,102.3**	**3,905.4**	**196.9**	**5.0 %**
Transaction Adjustments	(6.3)	26.2	32.5	124.0 %
Adjusted EBITDA[1]	**4,096.0**	**3,931.6**	**164.4**	**4.2 %**
Opex CTC	83.9	74.6	9.3	12.5 %
Depreciation and amortisation	3,205.2	3,553.9	(348.7)	(9.8) %
Share-based compensation expense	24.9	43.6	(18.7)	(42.9) %
Goodwill impairment	3,107.0	—	3,107.0	100.0 %
Restructuring and other operating	132.2	62.6	69.6	111.2 %
Operating (loss) income	**(2,457.2)**	**196.9**	**(2,654.1)**	**(1,347.9)%**
Finance costs	(2,829.0)	(4,023.1)	(1,194.1)	(29.7) %
Finance income	1,965.6	4,589.9	(2,624.3)	(57.2) %
Share of results of equity method investments	1.6	0.7	0.9	128.6 %
Other income (expense), net	13.9	(3.6)	17.5	486.1 %
Income tax benefit (expense)	229.9	(7.2)	237.1	3,293.1 %
Net (loss) profit	**£ (3,075.2)**	**£ 753.6**	**£ (3,828.8)**	**(508.1)%**

[1] The APMs, including 'Adjusted' and 'Transaction Adjusted', are applied consistently throughout the Annual Report. The APMs are defined in full and reconciled to the reported statutory measure in note 32 of the Notes to the Consolidated Financial Statements.

Cost of sales

Cost of sales includes costs of mobile handsets and other devices, programming and copyright costs, interconnect and access costs, and other cost of sales related to our operations. Programming and copyright costs represent a significant portion of our operating costs and are subject to rise in future periods due to various factors, including (i) higher costs associated with the expansion of our digital video content, including rights associated with ancillary product offerings and rights that provide for the broadcast of live sporting events, and (ii) rate increases.

Our cost of sales increased £308.7 million or 9.0% during the year ended 31 December 2023, as compared to the corresponding period in 2022, primarily due to:

- An increase in other direct costs of £485.2 million or 182.5% primarily driven by construction costs associated with nexfibre, which commenced in the final quarter of the comparative period;
- A decrease in mobile handset and other device costs of £46.3 million or 2.5% primarily driven by a reduction in handset sales.
- A decrease in programming costs of £42.0 million or 5.1% primarily driven by decreased volumes.
- A decrease in mobile, data and voice interconnect and access costs of £88.2 million or 17.1% primarily due to lower MVNO costs, following the migration of Virgin Mobile customers to the O2 network.

Other expenses

Other expenses include marketing and other sales costs, network operations, customer services costs, business service costs, impairment and restructuring, share-based compensation and other general expenses.

Our other expenses (exclusive of share-based compensation expense and depreciation and amortisation) increased £82.2 million or 3.4% during the year ended 31 December 2023, as compared to the corresponding period in 2022, primarily due to the net effect of:

- An increase in other expenses of £109.3 million or 42.0% primarily due to (i) an increase in bad debt expense due to increased handset financing sales, and (ii) a one-off release of £30 million following the resolution of a legal matter in the third quarter of 2022;
- An increase in business service costs of £35.2 million or 5.6%, primarily due to increased energy costs as average unit rates increased;
- A decrease in marketing costs of £73.1 million or 22.4%, mainly due to a reduction in advertisements; and
- A decrease in network costs services expenses of £28.5 million or 5.9%, due to transferring nexfibre related operating costs to cost of sales.

Personnel expenses

Personnel expenses include salary and payroll costs, commissions, incentive compensation costs, deferred labour and contingent labour.

Our personnel expenses increased £6.7 million or 1.0% during the year ended 31 December 2023, as compared to the corresponding period in 2022.

Adjusted EBITDA[1]

Adjusted EBITDA increased by 4.2% or £164.4 million to £4,096.0 million during the year ended 31 December 2023, as compared to the corresponding period in 2022. These increases are primarily due to (i) growth in revenue driven by (a) the implementation of price rises, (b) £37.8 million of revenue from a change in a related-party contract, (c) the commencement of nexfibre activity, which did not occur in the comparative periods, and (ii) the realisation of synergy cost efficiencies, partially offset by increased energy costs and a one-off release of £30 million following the resolution of a legal matter in the third quarter of 2022.

Opex CTC

Opex CTC increased by 12.5% or £9.3 million to £83.9 million during the year ended 31 December 2023, as compared to the corresponding period in 2022.

Depreciation and amortisation

Depreciation and amortisation decreased by 9.8% or £348.7 million to £3,205.2 million during the year ended 31 December 2023, as compared to the corresponding period in 2022. These decreases are primarily due to assets being fully written down during in the period.

Share-based compensation expense

Share-based compensation expense decreased by 42.9% or £18.7 million to £24.9 million during the year ended 31 December 2023, as compared to the corresponding period in 2022. This decrease was primarily due to a one-off expense release in the current quarter to bring in line with the latest performance expectations.

Goodwill impairment

There was a goodwill impairment expense of £3,107.0 million during the year ended 31 December 2023. This is largely driven by a decline in projected cash flows resulting from the effects of the broader macroeconomic environment in the UK and an increase in weighted average cost of capital (discount rate) against a backdrop of rising interest rates through the year. There was no goodwill impairment expense in the corresponding period in 2022.

[1] The APMs, including 'Adjusted' and 'Transaction Adjusted', are applied consistently throughout the Annual Report. The APMs are defined in full and reconciled to the reported statutory measure in note 32 of the Notes to the Consolidated Financial Statements.

Restructuring and other operating items
Restructuring and other operating items, excluding goodwill impairment, increased by 111.2% or £69.6 million to £132.2 million during the year ended 31 December 2023, as compared to the corresponding period in 2022, primarily due to increases in planned restructuring programmes in 2023.

Operating loss
The reported operating loss of £2,457.2 million during the year ended 31 December 2023 (year ended 31 December 2022 operating income: £196.9 million) was primarily due to an impairment of goodwill which did not occur in the corresponding period in 2022.

Finance costs and income
Finance costs decreased by 29.7% or £1,194.1 million to £2,829.0 million during the year ended 31 December 2023, as compared to the corresponding period in 2022. This decrease is primarily due to significant foreign exchange losses in the comparative period, as a result of weakening of the pound against the dollar.

Finance income decreased by 57.2% or £2,624.3 million to £1,965.6 million during the year ended 31 December 2023, as compared to the corresponding period in 2022. This decrease is primarily due to significant derivative gains in the comparative period.

Share of results of equity investments
Share of results of equity investments increased by 128.6% or £0.9 million to £1.6 million during the year ended 31 December 2023, as compared to the corresponding period in 2022.

Other income (expense), net
Other income increased by 486.1% or £17.5 million to £13.9 million during the year ended 31 December 2023, as compared to the corresponding period in 2022.

Income tax benefit (expense)
Income tax benefit (expense) increased by 3,293.1% or £237.1 million to £229.9 million during the year ended 31 December 2023, as compared to the corresponding period in 2022. The change from expense to benefit is primarily driven by the significant loss before tax, partly offset by the non-deductible goodwill impairment made in the current year.

Net loss
There was a net loss £3,075.2 million during the during the year ended 31 December 2023, as compared to the corresponding period in 2022. The net loss was primarily due to an impairment of goodwill which did not occur in the corresponding period in 2022.

Liquidity and Capital Resources

a) Sources and Uses of Cash

i) Cash and cash equivalents

At 31 December 2023, we had cash and cash equivalents of £243.1 million, all of which was held by our subsidiaries. The terms of the instruments governing the indebtedness of certain of these subsidiaries may restrict our ability to access the liquidity of these subsidiaries. In addition, our ability to access the liquidity of our subsidiaries may be limited by tax, legal considerations and other factors.

ii) Liquidity of VMED O2

Our sources of liquidity at the parent level include, subject to the restrictions noted above, proceeds in the form of (i) distributions or loans from our subsidiaries and (ii) contributions or loans from VMED O2 UK Limited. It is the intention of the Shareholders that the Joint Venture, and by extension VMED O2, will be a self-funding company capable of financing its activities on a stand-alone basis without recourse to either Shareholder.

The ongoing cash needs of VMED O2 include corporate general and administrative expenses and fees associated with the JV Service Agreements. From time to time, VMED O2 may also require cash in connection with (i) the repayment of outstanding debt and related-party obligations (including the repurchase or exchange of outstanding debt securities in the open market or privately-negotiated transactions), (ii) the funding of dividends or distributions to our immediate parent, VMED O2 UK Limited, to in turn fund dividends or distributions by VMED O2 UK Limited pursuant to the Joint Venture Shareholders Agreement, (iii) the satisfaction of contingent liabilities or (iv) acquisitions and other investment opportunities.

iii) Liquidity of our subsidiaries

In addition to cash and cash equivalents, the primary sources of liquidity of our operating subsidiaries are cash provided by operations and any borrowing availability under the VMED O2 Credit Facilities. For details of the borrowing availability of the VMED O2 Credit Facilities, see note 13 of the Notes to the Consolidated Financial Statements.

The liquidity of our operating subsidiaries generally is used to fund (i) property, plant and equipment additions, (ii) debt service requirements and (iii) other liquidity requirements that may arise from time to time, as well as to settle certain obligations that are not included in our 31 December 2023 consolidated statement of financial position. In this regard, we have significant commitments related to (a) purchases of customer premise and other equipment and services, (b) network and connectivity commitments and (c) programming contract and other items. These obligations are expected to represent a significant liquidity requirement of our Company, the majority of which is due over the next 12 to 24 months. For additional information regarding our commitments, see note 28 of the Notes to the Consolidated Financial Statements.

For additional information regarding our consolidated cash flows, see the discussion under Consolidated Statements of Cash Flows below. Our subsidiaries may also require funding in connection with (i) the repayment of outstanding debt, (ii) acquisitions and other investment opportunities or (iii) distributions or loans to VMED O2 UK Limited. No assurance can be given that any external funding would be available to our subsidiaries on favourable terms, or at all.

b) Capitalisation

At 31 December 2023, the outstanding principal amount of our consolidated debt, together with of our lease obligations, aggregated £21.7 billion, including £3.5 billion that is classified as current in our consolidated statement of financial position, £5.2 billion due before 2028 and £13.0 billion that is not due until 2029 or thereafter. For additional information regarding our debt and lease maturities, see notes 13 and 14, respectively, of the Notes to the Consolidated Financial Statements.

As further discussed under Quantitative and Qualitative Disclosures about Market Risk below and in notes 16 and 17 of the Notes to the Consolidated Financial Statements, we use derivative instruments to mitigate foreign currency and interest rate risk associated with our debt instruments.

Our ability to service or refinance our debt and to maintain compliance with the leverage covenants in our credit agreements and indentures is dependent primarily on our ability to maintain or increase our Adjusted EBITDA[1] and to achieve adequate returns on our property, plant and equipment additions and acquisitions. In addition, our ability to obtain additional debt financing is limited by incurrence-based leverage covenants contained in our various debt instruments. In this regard, if our Adjusted EBITDA[1] were to decline, our ability to obtain additional debt could be limited. We do not anticipate any non-compliance with respect to any of our debt covenants that would have a material adverse impact on our liquidity for at least 12 months.

Notwithstanding our negative working capital position at 31 December 2023, we believe that we have sufficient resources to repay or refinance the current portion of our debt and lease obligations and to fund our foreseeable liquidity requirements for at least 12 months. However, as our maturing debt grows in later years, we anticipate we will seek to refinance or otherwise extend our debt maturities. No assurance can be given that we will be able to complete these refinancing transactions or otherwise extend our debt maturities.

All of our consolidated debt and lease obligations at 31 December 2023 have been borrowed or incurred by our subsidiaries or our joint operation, CTIL.

[1] The APMs, including 'Adjusted' and 'Transaction Adjusted', are applied consistently throughout the Annual Report. The APMs are defined in full and reconciled to the reported statutory measure in note 32 of the Notes to the Consolidated Financial Statements.

Consolidated Statements of Cash Flows

Summary

Our consolidated statement of cash flows for 2023 and 2022 are set forth below:

		Year ended 31 December 2023 in millions		Year ended 31 December 2022 in millions
Net cash provided by operating activities	£	2,650.3	£	3,363.6
Net cash used by investing activities		(3,234.3)		(3,561.1)
Net cash provided by financing activities		787.8		192.5
Effect of exchange rate changes on cash and cash equivalents		(4.7)		3.1
Net increase (decrease) in cash and cash equivalents and restricted cash	**£**	**199.1**	**£**	**(1.9)**

Operating Activities

The net cash provided by our operating activities for the year ended 31 December 2023 is primarily attributable to our Adjusted EBITDA[1] and related working capital items. See "Consolidated Statement of Cash Flows" on page 72 for further information.

Investing Activities

The net cash used by our investing activities for the year ended 31 December 2023 is primarily attributable to capital expenditures and net advances to related parties. See "Consolidated Statement of Cash Flows" on page 72 for further information.

Financing Activities

The net cash provided by our financing activities during the year ended 31 December 2023 is primarily attributable to the net effect of (i) cash received of £829.6 million related to net borrowings of third-party debt and lease obligations, (ii) cash received of £9.1 million related to derivative instruments and (iii) cash used of £17.0 million related to repayments of related-party debt. See the Consolidated Statement of Cash Flows on page 72 for further information.

The capital expenditures we report in our consolidated statements of cash flows do not include amounts that are financed under capital-related vendor financing or lease arrangements. Instead, these amounts are reflected as non-cash additions to our property, plant and equipment when the underlying assets are delivered and as repayments of debt when the principal is repaid. In this discussion, we refer to (i) our capital expenditures as reported in our consolidated statements of cash flows, which exclude amounts financed under capital-related vendor financing or lease arrangements, and (ii) our total property, plant and equipment and intangible asset additions, which include our capital expenditures on an accrual basis and amounts financed under capital-related vendor financing or lease arrangements. For further details regarding our property, plant and equipment and intangible asset additions, see note 9 of the Notes to the Consolidated Financial Statements. A reconciliation of our consolidated property, plant and equipment and intangible asset additions to our consolidated capital expenditures, as reported in our consolidated statement of cash flows for year ended 31 December 2023 is set forth below (in millions):

		Year ended 31 December 2023 in millions		Year ended 31 December 2022 in millions
Property, plant and equipment and intangible asset additions	£	2,211.7	£	2,408.0
Assets acquired under capital-related vendor financing arrangements		(716.7)		(759.9)
Assets acquired under leases		(117.5)		(100.6)
Changes in current liabilities related to capital expenditures, net		59.1		(25.3)
Capital expenditures, net	**£**	**1,436.6**	**£**	**1,522.2**

Our property, plant and equipment and intangible asset additions during the year ended 31 December 2023 includes, amongst other items (i) investments in network capacity, technology facilities and information technology-related projects, (ii) expenditures for new build and upgrade projects and (iii) baseline expenditures, including network improvements and expenditures for property and facilities and information technology.

[1] The APMs, including 'Adjusted' and 'Transaction Adjusted', are applied consistently throughout the Annual Report. The APMs are defined in full and reconciled to the reported statutory measure in note 32 of the Notes to the Consolidated Financial Statements.

Consolidated Financial Information — Senior Secured Notes

We present the following consolidated financial information as of and for the year ended 31 December 2023 as required by the applicable underlying indentures. For consolidated financial information as of 31 December 2022, see our 2022 Annual Report for VMED O2 UK Holdings Limited.

As of 31 December 2023, Virgin Media Secured Finance is the issuer of the following senior secured notes:

- £457.5 million principal amount of 2027 VMED O2 Sterling Senior Secured Notes;
- $1,425.0 million (£1,116.5 million) principal amount of 2029 VMED O2 Dollar Senior Secured Notes;
- £340.0 million principal amount of 2029 VMED O2 Sterling Senior Secured Notes;
- $915.0 million (£716.9 million) principal amount of 2030 VMED O2 Dollar Senior Secured Notes;
- £480.0 million principal amount of 2030 VMED O2 4.125% Sterling Senior Secured Notes; and
- £635.0 million principal amount of 2030 VMED O2 4.25% Sterling Senior Secured Notes.

Our senior secured notes issued by Virgin Media Secured Finance outstanding as of 31 December 2023, rank pari passu with and, subject to certain exceptions, share in the same guarantees and security which have been granted in favour of our VMED O2 Credit Facilities. Our senior secured notes are guaranteed on a senior basis by:

- Virgin Media Investment Holdings Limited;
- Virgin Media Bristol LLC;
- Virgin Media Finance plc
- Virgin Media Inc;
- Virgin Media Limited;
- Virgin Media Secured Finance plc;
- Virgin Media Senior Investments Limited;
- Virgin Media SFA Finance Limited;
- Virgin Media Wholesale Limited;
- Virgin Mobile Telecoms Limited;
- VMED O2 UK Holdco 4 Limited;
- VMED O2 UK Holdco 5 Limited; and
- Telefónica UK Limited.

Statement of financial position

31 December 2023, in millions

	VMED O2 UK Holdings Limited	Virgin Media Secured Finance plc	Guarantors	Non-Guarantors	Eliminations	Total
Non-current assets	£ —	£ 3,839.0	£ 36,595.4	£ 2,220.6	£ (893.2)	£ 41,761.8
Current assets	8.9	11.1	3,614.4	233.2	(318.9)	3,548.7
Total assets	**£ 8.9**	**£ 3,850.1**	**£ 40,209.8**	**£ 2,453.8**	**£ (1,212.1)**	**£ 45,310.5**
Total combined equity	**£ 8.9**	**£ (58.5)**	**£ 21,830.5**	**£ (3,171.5)**	**£ —**	**£ 18,609.4**
Total owner's equity	8.9	(58.5)	21,830.5	(3,318.1)	—	18,462.8
Non-controlling interests	—	—	—	146.6	—	146.6
Liabilities:						
Non-current liabilities	—	3,850.6	11,183.1	5,103.9	(893.2)	19,244.4
Current liabilities		58.0	7,196.2	521.4	(318.9)	7,456.7
Total liabilities	**—**	**3,908.6**	**18,379.3**	**5,625.3**	**(1,212.1)**	**26,701.1**
Total equity and liabilities	**£ 8.9**	**£ 3,850.1**	**£ 40,209.8**	**£ 2,453.8**	**£ (1,212.1)**	**£ 45,310.5**

Statement of profit or loss

Year ended 31 December 2023, in millions

	VMED O2 UK Holdings Limited	Virgin Media Secured Finance plc	Guarantors	Non-Guarantors	Eliminations	Total
Revenue	£ —	£ —	£ 9,851.7	£ 1,061.0	£ —	£ 10,912.7
Net (loss) profit attributable to:						
Owners	0.3	38.3	(3,252.3)	138.9	£ —	(3,074.8)
Non-controlling interests	—	—	—	(0.4)	£ —	(0.4)
Net (loss) profit	**£ 0.3**	**£ 38.3**	**£ (3,252.3)**	**£ 138.5**	**£ —**	**£ (3,075.2)**
Comprehensive (loss) income attributable to:						
Owners	£ 0.3	£ 38.3	£ (3,336.3)	£ 138.9	£ —	£ (3,158.8)
Non-controlling interests	—	—	—	(0.4)	—	(0.4)
Comprehensive (loss) income	**£ 0.3**	**£ 38.3**	**£ (3,336.3)**	**£ 138.5**	**£ —**	**£ (3,159.2)**

Quantitative and Qualitative Disclosures about Market Risk

We are exposed to market risk in the normal course of our business operations due to our ongoing investing and financing activities. Market risk refers to the risk of loss arising from adverse changes in foreign currency exchange rates and interest rates. The risk of loss can be assessed from the perspective of adverse changes in fair values, cash flows and future profits. As further described below, we have established policies, procedures and processes governing our management of market risks and the use of derivative instruments to manage our exposure to such risks.

Cash

We invest our cash in highly liquid instruments that meet high credit quality standards. At 31 December 2023, £236.4 million or 97.2%, £4.3 million or 1.8% and £2.4 million or 1.0% of our consolidated cash balances were denominated in pounds sterling, US dollars and euros, respectively.

Foreign Currency Risk

We are exposed to foreign currency exchange rate risk with respect to our consolidated debt in situations where our debt is denominated in US dollars and euros. Although we generally match the denomination of our and our subsidiaries' borrowings with our functional currency, market conditions or other factors may cause us to enter into borrowing arrangements that are not denominated in our functional currency (unmatched debt). In these cases, our policy is to provide for an economic hedge against foreign currency exchange rate movements by using derivative instruments to synthetically convert unmatched debt into the applicable underlying currency. At 31 December 2023 substantially all of our debt was either directly or synthetically matched to our functional currency. For additional information concerning the terms of our derivative instruments, see note 17 of the Notes to the Consolidated Financial Statements.

Currently, the UK is facing various macro-economic pressures, including financial and political challenges, that have impacted the broader UK economy, valuation of the local currency, interest rates and inflationary pressures. In addition to the exposure that results from the mismatch of our borrowings and our functional currency, we are exposed to foreign currency risk to the extent that we enter into transactions denominated in currencies other than our functional currency (non-functional currency risk), such as equipment purchases, programming contracts, notes payable and notes receivable (including intercompany amounts) and certain services provided by our Shareholders. Changes in exchange rates with respect to amounts recorded in our consolidated statements of financial position related to these items will result in unrealised (based upon period-end exchange rates) or realised foreign currency transaction gains and losses upon settlement of the transactions. Moreover, to the extent that our revenue, costs and expenses are denominated in currencies other than our functional currency, we will experience fluctuations in our revenue, costs and expenses solely as a result of changes in foreign currency exchange rates. Generally, we will consider hedging non-functional currency risks when the risks arise from agreements with third parties that involve the future payment or receipt of cash or other monetary items to the extent that we can reasonably predict the timing and amount of such payments or receipts and the payments or receipts are not otherwise hedged. In this regard, we have entered into foreign currency forward and option contracts to hedge certain of these risks. For additional information concerning our foreign currency forward and option contracts, see note 17 of the Notes to the Consolidated Financial Statements.

The relationships between (i) the euro and (ii) the US dollar and the pound sterling, which is our reporting currency, are shown below, per one pound sterling:

	31 December	
	2023	**2022**
Spot rates:		
Euro	1.1535	1.1296
US dollar	1.2763	1.2099

	Year ended 31 December	
	2023	**2022**
Average rates:		
Euro	1.1500	1.1733
US dollar	1.2438	1.2190

Inflation Risk

We are subject to inflationary pressures with respect to energy, labour, programming and other costs. While we attempt to increase our revenue through price increases to customers to offset increases in costs, there is no assurance that we will be able to do so. Therefore, costs could rise faster than associated revenue, thereby resulting in a negative impact on our operating results, cash flows and liquidity. The economic environment in the UK is a function of government, economic, fiscal and monetary policies and various other factors beyond our control that could lead to inflation. We are unable to predict the extent that price levels might be impacted in future periods by the current state of the economy in the UK.

Interest Rate Risk

We are exposed to changes in interest rates primarily as a result of our borrowing activities, which include fixed-rate and variable-rate borrowings by our subsidiaries. Our primary exposure to variable-rate debt is through our SONIA-indexed, Term SOFR-indexed and EURIBOR-indexed VMED O2 Credit Facilities.

In general, we enter into derivative instruments to protect against increases in the interest rates on our variable-rate debt. Accordingly, we have entered into various derivative transactions to manage exposure to increases in interest rates. We use interest rate derivative contracts to exchange, at specified intervals, the difference between fixed and variable interest rates calculated by reference to an agreed-upon notional principal amount. We also use interest rate cap agreements and swaptions to lock in a maximum interest rate if variable rates rise, but also allow our Company to benefit from declines in market rates. Under our current guidelines, we use various interest rate derivative instruments to mitigate interest rate risk, generally for the full term of the underlying variable-rate debt. In this regard, we use judgement to determine the appropriate composition and maturity dates of our portfolios of interest rate derivative instruments, taking into account the relative costs and benefits of different maturity profiles in light of current and expected future market conditions, liquidity issues and other factors. For additional information concerning the impacts of these interest rate derivative instruments, see note 17 of the Notes to the Consolidated Financial Statements.

There have been significant changes in the benchmark interest rates used to set floating rates on our debt and derivative instruments. ICE Benchmark Administration (the entity that administers LIBOR) ceased to publish GBP LIBOR rates after 31 December 2021, and it ceased to publish USD LIBOR after 30 June 2023. EURIBOR has been reformed and has been granted regulatory approval to continue to be used.

On 6 March 2023, the EMMI announced proposed enhancements to EURIBOR's hybrid methodology that will be phased in over six months starting mid-May 2024. Currently, the contribution made by the panel banks follows a three-level waterfall approach including transactions from the observation period, derived or historical transactions or "expert judgement" grounded on transactions from nearby markets. The new methodology will end the use of "expert judgement" to determine the EURIBOR rate and certain historical transactions will be linked to the €STR, bringing the risk profile of EURIBOR closer to that of €STR. While the changes are expected to reduce the risk exposure for panel banks, there is uncertainty regarding the impact on rates and money market spreads from a possible increased fixing volatility.

Weighted Average Variable Interest Rate. At 31 December 2023, the outstanding principal amount of our variable-rate indebtedness aggregated £7.3 billion and the weighted average interest rate (including margin) on such variable-rate indebtedness was approximately 7.6%, excluding the effects of interest rate derivative contracts, deferred financing costs, original issue premiums or discounts and commitment fees, all of which affect our overall cost of borrowing. Assuming no change in the amount outstanding, and without giving effect to any interest rate derivative contracts, deferred financing costs, original issue premiums or discounts and commitment fees, a hypothetical 50 basis point (0.50%) increase (decrease) in our weighted average variable interest rate would increase (decrease) our annual consolidated interest expense and cash outflows by £36.5 million. As discussed above and in note 17 of the Notes to the Consolidated Financial Statements, we use interest rate derivative contracts to manage our exposure to increases in variable interest rates. In this regard, increases in the fair value of these contracts generally would be expected to offset most of the economic impact of increases in the variable interest rates applicable to our indebtedness to the extent and during the period that principal amounts are matched with interest rate derivative contracts.

In addition to the above, we are also exposed to modest, predetermined interest rate adjustments as a result of the achievement or non-achievement of ESG linked metrics contained within certain sustainability linked VMED O2 Credit Facilities. These ESG metrics are primarily related to the reduction of Scope 1 and Scope 2 emissions in line with our pathway to net zero across our operations, products and supply chain by 2040.

Counterparty Credit Risk

We are exposed to the risk that the counterparties to our derivative instruments, cash holdings and undrawn debt facilities will default on their obligations to us. We manage these credit risks through the evaluation and monitoring of the creditworthiness of, and concentration of risk with, the respective counterparties. In this regard, credit risk associated with our derivative instruments and undrawn debt facilities is spread across a relatively broad counterparty base of banks and financial institutions. Collateral is generally not posted by either party under the derivative instruments. Most of our cash currently is invested in either (i) AAA credit rated money market funds, including funds that invest in government obligations, or (ii) overnight deposits with banks having a minimum credit rating of A by Standard & Poor's or an equivalent rating by Moody's Investor Service. To date, neither the access to nor the value of our cash and cash equivalent balances have been adversely impacted by liquidity problems of financial institutions.

At 31 December 2023, our exposure to counterparty credit risk included (i) derivative assets with an aggregate fair value of £567.9 million, (ii) aggregate undrawn debt facilities of £1,548.8

million and (iii) cash and cash equivalents and restricted cash of £286.5 million.

We have entered into derivative instruments under master agreements with each counterparty that contain master netting arrangements that are applicable in the event of early termination by either party to such derivative instrument. The master netting arrangements are limited to the derivative instruments governed by the relevant master agreement and are independent of similar arrangements.

Under our derivative contracts, it is generally only the non-defaulting party that has a contractual option to exercise early termination rights upon the default of the other counterparty and to set off other liabilities against sums due upon such termination. However, in the event of an insolvency of a derivative counterparty, under the laws of certain jurisdictions, the defaulting counterparty or its insolvency representatives may be able to compel the termination of one or more derivative contracts and trigger early termination payment liabilities payable by us, reflecting any mark-to-market value of the contracts for the counterparty. Alternatively, or in addition, the insolvency laws of certain jurisdictions may require the mandatory set off of amounts due under such derivative contracts against present and future liabilities owed to us under other contracts between us and the relevant counterparty. Accordingly, it is possible that we may be subject to obligations to make payments, or may have present or future liabilities owed to us partially or fully discharged by set off as a result of such obligations, in the event of the insolvency of a derivative counterparty, even though it is the counterparty that is in default and not us. To the extent that we are required to make such payments, our ability to do so will depend on our liquidity and capital resources at the time. In an insolvency of a defaulting counterparty, we will be an unsecured creditor in respect of any amount owed to us by the defaulting counterparty, except to the extent of the value of any collateral we have obtained from that counterparty.

In addition, where a counterparty is in financial difficulty, under the laws of certain jurisdictions, the relevant regulators may be able to (i) compel the termination of one or more derivative instruments, determine the settlement amount and compel, without any payment, the partial or full discharge of liabilities arising from such early termination that are payable by the relevant counterparty or (ii) transfer the derivative instruments to an alternative counterparty.

While we currently have no specific concerns about the creditworthiness of any counterparty for which we have material credit risk exposures, we cannot rule out the possibility that one or more of our counterparties could fail or otherwise be unable to meet its obligations to us. Any such instance could have an adverse effect on our cash flows, results of operations, financial condition and or liquidity.

Although we actively monitor the creditworthiness of our key vendors, the financial failure of a key vendor could disrupt our operations and have an adverse impact on our revenue and cash flows.

Sensitivity Information

Information concerning the sensitivity of the fair value of certain of our more significant derivative instruments to changes in market conditions is set forth below. The potential changes in fair value set forth below do not include any amounts associated with the remeasurement of the derivative asset or liability into the applicable functional currency. For additional information, see notes 17 and 18 of the Notes to the Consolidated Financial Statements.

Cross-currency and Interest Rate Derivative Contracts
Holding all other factors constant at 31 December 2023:

(a) an instantaneous increase / (decrease) of 10% in the value of the pound sterling relative to the US dollar would have decreased / (increased) the aggregate fair value of our cross-currency and interest rate derivative contracts by approximately £1,053.0 million;

(b) an instantaneous increase / (decrease) of 10% in the value of the pound sterling relative to the euro would have decreased / (increased) the aggregate fair value of our cross-currency and interest rate derivative contracts by approximately £382.2 million; and

(c) an instantaneous increase / (decrease) in the relevant base rate of 50 basis points (0.50%) would have (decreased) / increased the aggregate fair value of our cross-currency and interest rate derivative contracts by approximately £183.6 million.

Projected Cash Flows Associated with Derivative Instruments

The following table provides information regarding the projected cash flows associated with our derivative instruments. The pound sterling equivalents presented below are based on interest rate projections and exchange rates as of 31 December 2023. These amounts are presented for illustrative purposes only and will likely differ from the actual cash payments or receipts required in future periods. For additional information regarding our derivative instruments, see notes 16 and 17 of the Notes to the Consolidated Financial Statements.

	Payments (receipts) due during:						
	2024 in millions	**2025 in millions**	**2026 in millions**	**2027 in millions**	**2028 in millions**	**Thereafter in millions**	**Total**
Projected derivative cash payments (receipts), net:							
Interest-related (a)	£ 67.2	£ 71.4	£ 91.8	£ 102.8	£ 8.6	£ (32.9)	£ 308.9
Principal-related (b)	—	19.2	—	22.1	(103.5)	(55.7)	(117.9)
Other (c)	(0.3)	—	—	—	—	—	(0.3)
Total	**£ 66.9**	**£ 90.6**	**£ 91.8**	**£ 124.9**	**£ (94.9)**	**£ (88.6)**	**£ 190.7**

(a) Includes (i) the cash flows of our interest rate cap, floor, swaption and swap contracts and (ii) the interest-related cash flows of our cross-currency and interest rate swap contracts.
(b) Includes the principal-related cash flows of our cross-currency swap contracts.
(c) Includes amounts related to our foreign currency forward contracts.

Independent Auditors’ Report

Independent Auditors' Report

To the Board of Directors VMED O2 UK Holdings Ltd:

Opinion

We have audited the non-statutory consolidated financial statements of VMED O2 UK Holdings Ltd and its subsidiaries (the Company), which comprise the consolidated statements of financial position as of December 31, 2023, and 2022 and the related consolidated statements of operations, consolidated statement of owners' equity, and consolidated statement of cash flows for the years then ended and related notes to the consolidated financial statements.

In our opinion, the accompanying non-statutory consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2023 and 2022, and the results of its operations and its cash flows for the years then ended in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board.

Basis for opinion

We conducted our audit in accordance auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the auditor responsibilities for the audit of the financial statements section of our report. We are independent of the Company in accordance with the ethical requirements that are relevant to our audit of the financial statements in the UK, including the FRC's Ethical Standard, and we have fulfilled our other ethical responsibilities in accordance with these requirements. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our opinion.

Responsibilities of Management for the Consolidated Financial Statements

Management is responsible for the preparation and fair presentation of the non-statutory consolidated financial statements in accordance with International Financial Reporting Standards as issued by the International Accounting Standards Board, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated financial statements that are free from material misstatement, whether due to fraud or error.

In preparing the non-statutory consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the consolidated financial statements are issued.

Auditor Responsibilities for the audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the non-statutory consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

KPMG LLP
London, UK
21 March 2024

Consolidated Financial Statements

Consolidated statements of financial position

	Note References	31 December 2023 in millions		31 December 2022 in millions	
ASSETS					
Non-current assets:					
Intangible assets, net	9	£	17,013.1	£	21,054.1
Property, plant and equipment, net	9 and 14		9,370.0		9,474.3
Investments	19		11.2		9.6
Deferred tax assets	23		318.2		69.4
Related-party notes receivable	18 and 24		13,539.5		10,807.4
Derivative instruments	17 and 18		825.3		1,700.3
Retirement benefit asset	21		284.7		360.2
Trade receivables and other non-current assets	10, 22 and 24		399.8		383.7
Total non-current assets			**41,761.8**		**43,859.0**
Current assets:					
Trade receivables and other current assets	10, 22 and 24		2,382.1		2,317.9
Derivative instruments	17 and 18		420.6		362.7
Inventory	12		261.7		178.6
Related-party receivables	24		241.2		26.0
Cash and cash equivalents			243.1		46.0
Total current assets			**3,548.7**		**2,931.2**
Total assets		**£**	**45,310.5**	**£**	**46,790.2**
LIABILITIES AND EQUITY					
Non-current liabilities:					
Non-current debt and lease obligations	13, 14, 18 and 24	£	18,350.3	£	17,507.5
Retirement benefit obligation	21		3.1		4.3
Non-current portion of provisions	15		139.1		154.5
Derivative instruments	17 and 18		544.0		421.9
Deferred tax liabilities	23		—		1.0
Trade payables and other non-current liabilities	11, 22 and 24		207.9		227.1
Total non-current liabilities			**19,244.4**		**18,316.3**
Current liabilities:					
Trade payables and other current liabilities	11, 22 and 24		3,607.1		3,763.1
Current tax payable	23		1.3		1.8
Derivative instruments	17 and 18		367.6		269.0
Provisions	15		55.2		37.5
Current portion of debt and lease obligations	13, 14 and 18		3,425.5		3,008.9
Total current liabilities			**7,456.7**		**7,080.3**
Total liabilities			**26,701.1**		**25,396.6**
Owner's equity:					
Additional paid-in capital (**APIC**)	26		20,773.8		20,773.8
Other reserves	26		212.5		—
Accumulated (loss) profit	26		(2,338.7)		720.6
Accumulated other comprehensive loss	26		(184.8)		(100.8)
Total owner's equity			**18,462.8**		**21,393.6**
Non-controlling interests	27		146.6		—
Total combined equity			**18,609.4**		**21,393.6**
Total equity and liabilities		**£**	**45,310.5**	**£**	**46,790.2**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statements of profit or (loss)

	Note References	Year ended 31 December 2023 in millions	2022 in millions
Revenue	5 and 24	£ 10,912.7	£ 10,360.0
Cost of sales	24	(3,734.5)	(3,425.8)
Gross profit		**7,178.2**	**6,934.2**
Personnel expenses	21	(697.1)	(690.4)
Other expenses	14, 20 and 24	(5,733.1)	(2,493.0)
Depreciation and amortisation	9	(3,205.2)	(3,553.9)
Operating (loss) profit	6	**(2,457.2)**	**196.9**
Finance costs	22 and 25	(2,829.0)	(4,023.1)
Finance income	22 and 25	1,965.6	4,589.9
Net finance (costs) income		**(863.4)**	**566.8**
Share of results of equity method investments	19	1.6	0.7
Other income (expense), net		13.9	(3.6)
		(847.9)	**563.9**
(Loss) profit before income taxes		**(3,305.1)**	**760.8**
Income tax benefit (expense)	23	229.9	(7.2)
Net (loss) profit		**£ (3,075.2)**	**£ 753.6**
Net (loss) profit attributable to:			
Owners		£ (3,074.8)	£ 753.6
Non-controlling interests	27	(0.4)	—
Net (loss) profit		**£ (3,075.2)**	**£ 753.6**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statements of comprehensive income (loss)

	Note References	Year ended 31 December 2023 in millions		2022 in millions	
Net (loss) profit		**£**	**(3,075.2)**	**£**	**753.6**
Other comprehensive (loss) income, net of taxes:					
Items that have been or may be reclassified to the statement of profit or loss					
Foreign currency translation adjustments			(15.9)		30.8
Items that will not be reclassified to the statement of profit or loss					
Pension-related adjustments	21		(68.1)		(170.5)
Other comprehensive loss			**(84.0)**		**(139.7)**
Comprehensive (loss) income		**£**	**(3,159.2)**	**£**	**613.9**
Comprehensive (loss) income attributable to:					
Owners		£	(3,158.8)	£	613.9
Non-controlling interests	27		(0.4)		—
Comprehensive (loss) income		**£**	**(3,159.2)**	**£**	**613.9**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statements of changes in equity

	APIC (a) in millions	Other reserves In millions	Accumulated profit (loss) in millions	Accumulated other comprehensive loss in millions	Total owner's equity in millions	Non-controlling interests in millions	Total combined equity in millions
Balance at 1 January 2023	**£ 20,773.8**	**£ —**	**£ 720.6**	**£ (100.8)**	**£ 21,393.6**	**£ —**	**£ 21,393.6**
Net loss	—	—	(3,074.8)	—	**£ (3,074.8)**	(0.4)	**£ (3,075.2)**
Other comprehensive loss	—	—	—	(84.0)	**£ (84.0)**	—	**£ (84.0)**
Share-based compensation	—	—	15.5	—	**£ 15.5**	—	**£ 15.5**
Excess consideration over net book value (NBV) upon sale of joint operation (note 27)	—	212.5	—	—	**£ 212.5**	—	**£ 212.5**
Non-controlling interest on acquisition of subsidiary (note 27)	—	—	—	—	**£ —**	147.0	**£ 147.0**
Balance at 31 December 2023	**£ 20,773.8**	**£ 212.5**	**£ (2,338.7)**	**£ (184.8)**	**£ 18,462.8**	**£ 146.6**	**£ 18,609.4**

	APIC (a) in millions	Other reserves In millions	Accumulated profit (loss) in millions	Accumulated other comprehensive income (loss) in millions	Total owner's equity in millions	Non-controlling interests in millions	Total combined equity in millions
Balance at 1 January 2022	**£ 20,773.8**	**£ —**	**£ (58.6)**	**£ 38.9**	**£ 20,754.1**	**£ —**	**£ 20,754.1**
Net profit	—	—	753.6	—	**£ 753.6**	—	**£ 753.6**
Other comprehensive loss	—	—	—	(139.7)	**£ (139.7)**	—	**£ (139.7)**
Share-based compensation	—	—	25.6	—	**£ 25.6**	—	**£ 25.6**
Balance at 31 December 2022	**£ 20,773.8**	**£ —**	**£ 720.6**	**£ (100.8)**	**£ 21,393.6**	**£ —**	**£ 21,393.6**

(a) APIC includes share premium and the merger reserve (as described in note 26) resulting from the September 2021 Transactions (as defined in note 3). The total value recognised in APIC represents the value required to be recognised after purchase price accounting as a result of the JV Transaction (as defined in note 1).

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statements of cash flows

	Note References	Year ended 31 December			
			2023 in millions		2022 in millions
Cash flows from operating activities:					
Net (loss) profit		**£**	**(3,075.2)**	**£**	**753.6**
Adjustments to reconcile net (loss) profit to net cash provided by operating activities:					
Share-based compensation expense	20	£	24.9	£	43.6
Depreciation and amortisation	9		3,205.2		3,553.9
Impairment, restructuring and other operating items, net	9, 15 and 19		3,237.6		61.8
Amortisation of debt premiums, deferred financing costs and non-cash interest	13		(1.9)		(8.6)
Realised and unrealised losses (gains) on derivative instruments, net	17 and 22		804.0		(2,188.2)
Foreign currency transaction (gains) losses, net	22		(591.7)		1,103.5
Gains on debt extinguishment, net	13 and 22		(9.7)		—
Deferred income tax (benefit) expense	23		(229.4)		52.3
Interest paid			(1,196.9)		(827.7)
Income taxes paid			(2.1)		(2.8)
Changes in operating assets			(1,694.7)		(279.0)
Changes in operating liabilities			2,180.2		1,101.2
Net cash provided by operating activities		**£**	**2,650.3**	**£**	**3,363.6**
Cash flows from investing activities:					
Capital expenditures, net	9	£	(1,436.6)	£	(1,522.2)
Net advances to related parties	24		(2,143.3)		(2,106.0)
Cash received from sale of joint operation	27		359.5		—
Other investing activities, net			(13.9)		67.1
Net cash used by investing activities		**£**	**(3,234.3)**	**£**	**(3,561.1)**

The accompanying notes are an integral part of these consolidated financial statements.

Consolidated statements of cash flows – continued

	Note References	Year ended 31 December 2023 in millions		Year ended 31 December 2022 in millions	
Cash flows from financing activities:					
Repayments of third-party debt and lease obligations					
Principal payments on operating-related vendor financing	13	£	(1,894.6)	£	(1,632.1)
Debt (excluding vendor financing)	13		(2,120.2)		(932.9)
Principal payments on capital-related vendor financing	13		(916.6)		(701.5)
Principal payments on leases	14		(219.1)		(197.5)
Borrowings of third-party debt	13		3,470.2		1,572.7
Operating-related vendor financing additions	13		2,509.9		1,765.8
Net repayments of related-party debt	24		(17.0)		(49.3)
Payment of financing costs and debt premiums	13		(15.3)		(13.6)
Net cash (paid) received related to derivative instruments	17		(9.1)		381.2
Other financing activities, net			(0.4)		(0.3)
Net cash provided by financing activities		**£**	**787.8**	**£**	**192.5**
Effect of exchange rate changes on cash and cash equivalents			(4.7)		3.1
Net increase (decrease) in cash and cash equivalents and restricted cash			**199.1**		(1.9)
Cash and cash equivalents and restricted cash:					
Beginning of period			87.4		89.3
End of period		**£**	**286.5**	**£**	**87.4**
Details of end of period cash and cash equivalents and restricted cash:					
Cash and cash equivalents			243.1	£	46.0
Restricted cash included in trade receivables and other current assets and trade receivables and other non-current assets			43.4		41.4
Total cash and cash equivalents and restricted cash		**£**	**286.5**	**£**	**87.4**

Notes to consolidated financial statements 31 December 2023

(1) Basis of Presentation

VMED O2 UK Holdings Limited (**VMED O2**) is a private company, incorporated, domiciled and registered in the United Kingdom (**UK**) The registered number is 13047827 and the registered address is 500 Brook Drive, Reading, RG2 6UU.

As described in the Strategic Report, the principal activity of VMED O2 is the provision of telecommunication services in the UK.

In these notes, the terms "we," "our," "our Company" "our Group" and "us" may refer, as the context requires, to VMED O2 or collectively to VMED O2 and its subsidiaries. As of 31 December 2023, the primary subsidiaries of VMED O2 include (i) Virgin Media Inc. and its subsidiaries (collectively, **Virgin Media**) and (ii) O2 Holdings Limited and its subsidiaries (collectively, **O2**).

VMED O2 is a wholly-owned subsidiary of VMED O2 UK Limited, which is a 50:50 joint venture that was formed on 1 June 2021 between Liberty Global Ltd. (formerly Liberty Global plc) (**Liberty Global**) and Telefónica, SA (through Telefonica O2 Holdings Limited) (**Telefónica**) (the **JV Transaction**) (the **Shareholders**). Prior to the completion of the JV Transaction, (i) Virgin Media was a wholly-owned subsidiary of Liberty Global that provided fixed and mobile communications services in the UK and (ii) O2 was a wholly-owned subsidiary of Telefónica that provided mobile communications services in the UK .

These consolidated non-statutory financial statements were authorised for issue following review by the Audit Committee of the Joint Venture. These consolidated non-statutory financial statements reflect our consideration of the accounting and disclosure implications of subsequent events through 21 March 2024.

(2) Accounting Policies

A summary of the principal accounting policies is set out below. All accounting policies have been applied consistently, unless noted below:

Basis of Accounting

The principal accounting policies adopted by VMED O2 are set out below and have all been applied consistently throughout the current period.

These consolidated non-statutory financial statements were prepared on a going concern basis and under the historical cost basis in accordance with International Financial Reporting Standards (**IFRS**).

The consolidated financial statements are presented in pound sterling and all values are rounded to the nearest million, unless otherwise stated.

Basis of Consolidation

The accompanying consolidated financial statements comprise the financial statements of the Company, its subsidiaries and its share of jointly controlled entities as of 31 December 2023.

Subsidiaries are all entities over which we have control. We control an entity if we are exposed to variable returns from our involvement with the entity and we have the ability to affect those returns through our power over the respective entity. Such entities are included in the consolidated financial statements from the date that control commences until the date that control ceases.

Non-controlling interests (**NCI**) are measured initially at their proportionate share of the acquiree's identifiable net assets at the date of acquisition. Changes in the Group's interest in a subsidiary that do not result in a loss of control are accounted for as equity transactions.

All significant intra-group balances and transactions have been eliminated in preparing the consolidated financial statements. When control over an entity is lost, we derecognise the assets and liabilities of the entity, and any related non-controlling interests and other components of equity. Any resulting gain or loss is recognised in profit or loss. Any interest retained in the entity is measured at fair value when control is lost.

Joint arrangements are defined as the contractually agreed sharing of control of an arrangement, which exists only when the decisions about the relevant activities required the unanimous consent of the parties sharing control. For additional information regarding our joint arrangements, see the relevant section below under Joint Arrangements.

Going Concern

The financial statements have been prepared on a going concern basis. Management have reviewed business activities, together with factors likely to affect its future development and performance, as well the as VMED O2's principal risks and uncertainties. We have concluded that it is appropriate to adopt the going concern basis having undertaken a rigorous assessment of the financial forecasts, with specific consideration of the trading position of the Group in the context of the current global economic environment, and the industrial relations landscape in relation to the UK business, for the reasons as set out below.

At 31 December 2023, the Group had net current liabilities of £3,908.0 million and net assets of £18,609.4 million. Liquidity available as at the reporting date was £1,692.4 million (excl. CTIL unused borrowing capacity), made up of cash and cash equivalents of £243.1 million and unused borrowing capacity in the VMED O2 Credit Facilities of £1,449.3 million. At 31 December 2023, based on the most restrictive applicable leverage covenants and leverage-based restricted payment tests £1,449.3 million of unused borrowing capacity was available to be borrowed and there were no restrictions on our ability to make loans or distributions from this.

We have considered the Group's key liquidity events and maturity of the Group's debt in the next 12 months, of which the vendor financing obligations (refer Note 13) are considered to remain appropriate in relation to business-as-usual activities.

Forecasts and projections, which take into account for reasonably possible downsides in trading performance, prepared for the Group as a whole. Operating free cash flow reduced by 10%, and not considering the uncommitted revolving credit facility still resulted in sufficient funds to continue to meet our liabilities as they fall due for at least 12 months from the date of approval of these financial statements, and consequently we have prepared the financial statements on a going concern basis.

Treasury operations and cash management for all VMED O2's wholly owned subsidiaries are managed on a group basis, including regular cash flow forecasts for both short and long-term commitments.

Taking into account these forecasts and projections, and after making suitable enquiries and obtaining the necessary assurances, we have a reasonable expectation that we have adequate resources to continue in operational existence for the foreseeable future.

Business Combinations under Common Control

Business combinations between entities that are under common control are accounted for at book value. The assets and liabilities acquired or transferred are recognised or derecognised at the carrying amounts previously recognised in the ultimate controlling parent company's consolidated financial statements. The components of equity of the acquired entities are added to the same components within the Group equity and any gain or loss arising is recognised directly in equity.

On 16 September 2021, as part of certain joint venture reorganisation transactions, VMED O2 UK Limited made a contribution to VMED O2, comprising VMED O2 UK Limited's then ownership interests in (i) Virgin Media (ii) O2 and (iii) VMED O2 UK Financing I plc, in exchange for ordinary shares, issued at a premium.

These transactions have been accounted for as common control transfers, under the pooling interest method and, accordingly been reflected at carry over basis as of 1 June 2021, see note 3.

Foreign Currency Translation and Transactions

Transactions denominated in currencies other than our or our subsidiaries' functional currencies are recorded based on exchange rates at the time such transactions arise. Changes in exchange rates with respect to amounts recorded in our consolidated statements of financial position related to these non-functional currency transactions result in transaction gains and losses that are reflected in our consolidated statements of profit or loss as unrealised (based on the applicable period end exchange rates) or realised upon settlement of the transactions.

Intangible Assets

Our primary intangible assets relate to goodwill, customer relationships, mobile spectrum licences, and software costs.

Goodwill represents the excess purchase price over the fair value of the identifiable net assets acquired in a business combination. Goodwill is not amortised, but carried at cost less any accumulated impairment losses. Goodwill is recognised as an asset denominated in the currency of the business acquired and is tested for impairment annually, or more frequently if there are certain events or changes indicating the possibility that the carrying amount may not be fully recoverable. The potential impairment loss is determined by assessing the recoverable amount of the cash generating unit (**CGU**) to which the goodwill is allocated from the acquisition date. During the financial year ended 31 December 2023, we recognised a Goodwill impairment of £3,107.0 million, please see note 9 for further details.

Intangible assets with finite lives are amortised on a straight-line basis over their respective estimated useful lives, and reviewed for indications of impairment at each reporting date. Amortisation methods and useful lives are reviewed at each reporting date and are adjusted if appropriate.

Customer relationships, arising from the Joint Venture formation, have been initially recorded at its fair value and amortised over its estimated useful life of 9 years on a straight line basis, and reviewed for indications of impairment on an ongoing basis as discussed above. During the financial year ended 31 December 2023, there were no indicators of impairment for Customer relationships.

Licence fees paid to the Government, which permit telecommunications activities to be operated for defined periods, are capitalised at costs less impairment losses and are amortised from the date of commercial launch of the services over the initial 20 year term of the licence on a straight line basis.

Costs that are directly associated with the production of identifiable and unique software products controlled by the Company, and that are expected to generate economic benefits beyond one year, are recognised as intangible assets. Capitalised internal-use software costs include only external cost of sales of materials and services consumed in developing or obtaining the software and payroll and payroll-related costs for employees who are directly associated with the project. Capitalisation of these costs ceases no later than the point at which the project is substantially complete and ready for its intended purpose. Internally-generated intangible assets are amortised on a straight-line basis over their useful lives of between 1 to 10 years. Costs associated with maintaining computer software are recognised as an expense as incurred.

Subsequent expenditures related to intangible assets are capitalised only when the expenditures increase the future economic benefits embodied in the specific asset to which it relates. All other expenditures, including expenditures on internally generated brands, are expensed as incurred.

Property, Plant and Equipment

Property, plant and equipment are measured at initial cost less accumulated depreciation and any accumulated impairment losses. When parts of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment. We capitalise costs associated with the construction of new fixed-line and mobile transmission and distribution facilities and the installation of new fixed-line services. Capitalised construction and installation costs include materials, labour and other directly attributable costs. Installation activities that are capitalised include (i) the initial connection (or drop) from our fixed-line system to a customer location, (ii) the replacement of a drop and (iii) the installation of equipment for additional services, such as telephone or broadband internet service. The costs of other customer-facing activities, such as reconnecting and disconnecting customer locations and repairing or maintaining drops, are expensed as incurred.

Depreciation is computed using the straight-line method over the estimated useful life of each major component of an item of property, plant and equipment. Assets in the course of construction are carried at cost, less any recognised impairment losses if required. Depreciation of these assets commences when the assets are ready for their intended use. Assets held under leases are amortised on a straight-line basis over the shorter of the lease term or estimated useful life of the asset. The useful lives of fixed-line and mobile networks that are undergoing a rebuild are adjusted such that property, plant and equipment to be retired will be fully depreciated by the time the rebuild is completed. Useful lives used to depreciate our property, plant and equipment are reviewed at each reporting date and are adjusted if appropriate. The useful lives assigned to property, plant and equipment are:

- Land and buildings — 2 to 50 years
- Plant and machinery — 2 to 30 years
- Computer equipment, tools and other items — 3 to 11 years

Subsequent costs are included in the assets' carrying amount or recognised as a separate asset, as appropriate, only when it is probable that future economic benefits associated with the expenditure will be achieved and when the cost can be measured reliably. All other expenditures for repairs and maintenance are expensed as incurred. Gains and losses due to disposals are included in restructuring and other operating.

Provisions

A provision is recognised when a present legal or constructive obligation as a result of a past event exists, it is probable (more likely than not) that an outflow of resources will be required to settle the obligation and a reliable estimate can be made of the amount of the obligation. If the effect of the time value of money is material, provisions are discounted using a pre-tax rate reflecting, where appropriate, the risks specific to the liability. When discounting is used, the increase in the provision due to the passage of time is recognised as a finance cost.

A provision for restructuring is recognised when management has approved a detailed and formal restructuring plan and the restructuring has either commenced or has been announced to the parties concerned. For additional information on our restructuring provisions, see note 15.

A provision for asset retirement obligations is recognised related to dismantling and removing items at leased property and restoring the site on which these items are located after termination of the lease agreement.

A provision for onerous contracts is recognised when the expected benefits to be derived from a contract are lower than the unavoidable costs of meeting its obligations under the contract. The provision is measured at the present value of the lower of the expected cost of terminating the contract and the expected net cost of continuing with the contract. Before a provision is established, we recognise an impairment loss on the assets associated with the respective contract.

Leases

On the lease commencement date, we recognise (i) right-of-use (**ROU**) assets representing our right to use an underlying asset and (ii) lease liabilities representing our obligation to make lease payments over the lease term. Lease and non-lease components in a contract are generally accounted for separately.

We initially measure lease liabilities at the present value of the remaining lease payments over the lease term. Options to extend or terminate the lease are included only when it is reasonably certain that we will exercise that option. As most of our leases do not provide enough information to determine an implicit interest rate, we generally use a portfolio level incremental borrowing rate in our present value calculation. We initially measure ROU assets at the value of the lease liability, plus any initial cost of sales and prepaid lease payments, less any lease incentives received.

ROU assets are generally depreciated on a straight-line basis over the useful life of the asset. Interest expense on the lease liability is recorded using the effective interest method.

We use the "low value" asset lease recognition exemption for office equipment for all leases less than £5,000 and the short-term lease recognition exemption for all leases with a term of 12 months or less. Therefore, lease payments in such cases are recognised as an expense on a straight-line basis over the lease term.

We determine the lease term as the non-cancellable term of the contract, together with any period covered by an extension (or termination) option whose exercise is discretionary, if there is reasonable certainty that it will be exercised (or it will not be exercised). In our assessment, we consider all available information by asset class in the industry and evaluate all relevant factors (technology, regulation, competition, business model) that create an economic incentive to exercise or not a renewal or cancellation option. In particular, we take into consideration the time horizon of the strategic planning of its operations. After the commencement date, we reassess the lease term if there is a significant event or change in circumstances that is within our control that may affect our ability to exercise (or not to exercise) an option to extend or terminate (for example, a change in business strategy).

In some instances, we act as lessor, notably in respect of agreements with B2B customers for use of various network assets. For arrangements which meet the criteria to be recognised as a finance lease, we derecognise the asset and recognise a receivable at an amount equal to the net investment in the lease, recognising revenue arising from the lease component when control of the network asset is transferred to the customer.

Non-Derivative Financial Instruments

Cash and cash equivalents, current trade and other receivables, current related-party receivables and payables, certain other current assets, accounts payable, certain accrued liabilities and value-added taxes (**VAT**) payable represent financial instruments that are initially recognised at fair value and subsequently carried at amortised cost. Due to their relatively short maturities, the carrying values of these financial instruments approximate their respective fair values.

Loans and other receivables are financial assets with fixed or determinable payments that are not quoted in an active market. Such loans and other receivables are recognised initially at fair value plus any directly attributable transaction costs. Subsequent to initial recognition, loans and receivables are measured at amortised cost using the effective interest method, less any impairment losses.

We initially recognise loans and receivables on the date they are originated. All other financial assets (including assets designated as fair value through the statement of profit or loss) are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

We derecognise a financial asset when the contractual rights to the cash flows from the asset expire, or it transfers the rights to receive the contractual cash flows in a transaction in which substantially all the risks and rewards of ownership of the financial asset are transferred. Any interest in such transferred financial assets that is created or retained by the Company is recognised as a separate asset or liability.

We initially recognise debt securities issued and subordinated liabilities on the date that they are originated. All other financial liabilities are recognised initially on the trade date, which is the date that the Company becomes a party to the contractual provisions of the instrument.

We derecognise a financial liability when its contractual obligations are discharged, cancelled or expired.

For information concerning the fair values of our debt and derivatives, see notes 13 and 17, respectively. For information concerning how we arrive at our fair value measurements, see note 18.

All loans and borrowings are initially recognised at fair value less directly attributable transaction costs. After initial recognition, interest bearing loans and borrowings are subsequently measured at amortised cost using the effective interest method. Gains and losses arising on the repurchase, settlement or otherwise cancellation of liabilities are recognised respectively in interest income or expense. Finance costs which are incurred in connection with the issuance of debt are deferred and set off against the borrowings to which they relate. Deferred finance costs are amortised over the term of the related debt using the effective interest method.

Derivative Instruments

All derivative instruments, whether designated as hedging relationships or not, are recorded in the statements of financial position at fair value. If the derivative instrument is not designated as a hedge, changes in the fair value of the derivative instrument are recognised in earnings. If the derivative instrument is designated as a fair value hedge, the changes in the fair value of the derivative instrument and of the hedged item attributable to the hedged risk are recognised in earnings. If the derivative instrument is designated as a cash flow hedge, the effective portions of changes in the fair value of the derivative instrument are recorded in other comprehensive income or loss and accumulated in other reserves, and subsequently reclassified into our consolidated statements of profit or loss when the hedged forecasted transaction affects earnings. Ineffective portions of changes in the fair value of cash flow hedges are recognised in earnings. Hedge accounting is discontinued when the Company revokes the hedging relationship, when the hedging instruments expires or is sold, terminated, or exercised, or when it no longer qualifies for hedge accounting. The fair value adjustment to the carrying amount of the hedged item arising from the hedged risk is amortised to profit or loss from that date. We do not currently apply hedge accounting to our derivative instruments.

The net cash received or paid related to our derivative instruments is classified as an operating, investing or financing activity in our consolidated statements of cash flows based on the objective of the derivative instrument and the classification of the applicable underlying cash flows. For derivative contracts that are terminated prior to maturity, the cash paid or received upon termination that relates to future periods is classified as a financing activity in our consolidated statements of cash flows.

For information regarding our derivative instruments, see note 17.

Inventories

Inventories comprise mainly handsets and network-associated inventory held for resale and are stated at the lower of cost and net realisable value on a first-in, first-out basis, after provisions for obsolescence. Cost comprises costs of purchase and costs incurred in bringing inventory to its current location and condition.

Trade Receivables

Our trade receivables are initially measured at fair value and subsequently reported at amortised cost, net of an allowance for impairment of trade receivables. The allowance for impairment of trade receivables is estimated based upon our current estimate of lifetime expected credit losses. We use a number of factors in determining the allowance, including, amongst other things, collection trends, prevailing and anticipated economic conditions, and specific customer credit risk. The allowance is maintained until either payment is received or the likelihood of collection is considered to be remote. For additional information regarding our trade receivable and our allowance for expected credit losses of trade receivables, see note 10.

Concentration of credit risk with respect to trade receivables is limited due to the large number of residential and business customers. We also manage this risk by reducing or disconnecting services to customers whose accounts are delinquent.

Cash and Cash Equivalents and Restricted Cash

Cash equivalents consist of money market funds and other investments that are readily convertible into cash and have maturities of three months or less at the time of acquisition. We record money market funds at the net asset value as there are no restrictions on our ability, contractual or otherwise, to redeem our investments at the stated net asset value.

Restricted cash consists of cash held in restricted accounts, including cash held in escrow related to our NTL pension plan. All other cash that is restricted to a specific use is classified as current or non-current based on the expected timing of the disbursement.

Our significant non-cash investing and financing activities, if any, would be disclosed in our consolidated statements of owner's equity and in notes 9, 13, 14 and 17.

Employee Benefit Plans

We operate both defined benefit and defined contribution plans. A defined benefit plan is a pension plan that sets the amount of pension benefit an employee will receive upon retirement, usually dependent on one or more factors such as age, years of service and compensation. A defined contribution plan is a pension plan under which the Company makes contributions on behalf of employees to their individual pension accounts which are held by a third-party trustee. The ultimate benefit the employee will receive upon retirement is dependent on the contributions made during the employee's service period as well as the performance of the investments in each employee's individual account. After an employee's service period has ended, the Company has no further obligation to contribute to a defined contribution plan. Only our defined contributions schemes remain open to new participants.

For our defined benefit plans, we recognise each pension or post retirement plan's funded status as either an asset or liability in the consolidated statements of financial position. The net pension asset or net pension liability recognised represents the present value of the projected benefit obligation less the fair value of the plan assets at the reporting date. The projected benefit obligation is calculated annually by independent actuaries using the projected unit credit method. The present value of the projected benefit obligation is determined by discounting the estimated future cash outflows using interest rates of high quality corporate bonds. The corporate bonds used for this calculation are denominated in the currency in which the benefits will be paid and have terms to maturity approximating the term of the projected benefit obligation. Expected return on plan assets is determined by applying the return on assets assumptions to the actual fair value of plan assets. Also we measure any unrecognised prior service costs and credits that arise during the period as a component of Accumulated other comprehensive income or loss, net of applicable income tax.

Revenue Recognition

Subscription Revenue — Fixed-line Network. We recognise revenue from the provision of broadband internet, video and fixed-line telephony services over our fixed-line network to customers in the period the related services are provided, with the exception of revenue recognised pursuant to certain contracts that contain promotional discounts, as described below. Installation fees related to services provided over our fixed-line network are generally deferred and recognised as revenue over the contractual period, or longer if the upfront fee results in a material renewal right.

Sale of Multiple Products and Services. We sell broadband internet, video, fixed-line telephony and mobile services to our customers in bundled packages at a lower rate and/or with additional benefits than if the customer purchased each product on a standalone basis. Revenue from bundled packages is allocated proportionally to the individual products or services based on the relative standalone selling price for each respective product or service.

Mobile Revenue. Consideration from mobile contracts is allocated to the airtime service component and the handset component based on the relative standalone selling prices of each component. When we offer handsets and airtime services in separate contracts entered into at the same time, we account for these contracts as a single contract with revenue allocated as described above. Revenue is recognised as each performance obligation is complete – on transfer of the asset for the handset, and over the term of service for airtime.

Revenue from prepaid customers is deferred prior to the commencement of services and recognised as the services are rendered or usage rights expire. Some of our mobile handset contracts that permit the customer to take control of the handset upfront and pay for the handset in instalments over a contractual period may contain a significant financing component. For contracts with terms of one year or more, we recognise any significant financing component as revenue over the contractual period using the effective interest method. We do not record the effect of a significant financing component if the contractual period is less than one year.

Other hardware sales (e.g. smartphones, tablets) follow the same recognition policies as handset sales. Other mobile subscription revenue includes revenue earned for subscription fees (including those earned from our MVNO partners), inbound roaming (earned from foreign mobile operators whose customers roam onto our mobile network), outbound roaming (earned from customers roaming outside their domestic coverage area) and interconnect revenue (earned from other Telecommunication operators whose customers terminate calls on our network). Subscription fees are recognised over the life of the contract. Roaming and Interconnect revenue is recognised over time on usage by the customer.

B2B Revenue. B2B contracts are comprised of multiple elements, bespoke to the customer. In line with our recognition of revenue for consumer services, where multiple products and services are sold in a B2B environment, we allocate revenue proportionally to each performance obligation within the contract based on the relative standalone selling price, recognising revenue as each performance obligation is satisfied. For hardware sales, this is on transfer of the asset, for connectivity services over the contract period as the service is used by the customer.

We defer upfront installation and certain non-recurring fees received on B2B contracts where we maintain ownership of the installed equipment. The deferred fees are amortised into revenue on a straight line basis, generally over the longer of the term of the arrangement or the expected period of performance.

From time to time, we also enter into agreements with certain B2B customers pursuant to which they are provided the right to use certain elements of our network. If these agreements are determined to contain a lease that meets the criteria to be considered a finance lease, we recognise revenue from the lease component when control of the network element is transferred to the customer.

Other Revenue. Other revenue, excluding construction revenues discussed separately below, consists of ancillary sales linked to the principal activity of the business discussed above e.g. insurance sales, mobile and accessories, and the SMIP. This revenue is recognised on the provision of both goods and services, with revenue recognition on delivery of each separate performance obligation.

Construction Revenue. We recognise revenue from the provision of construction services with the respective service providers. For construction partner services, revenue for construction partner costs and materials are recognised on a gross basis as the performance obligations are completed – at the point in time when control is transferred to the service provider. For construction management services and metro connectivity projects, revenue is recognised gross over the period in which services are performed.

Contract Costs. Incremental costs to obtain a contract with a customer, such as incremental sales commissions, are generally recognised as assets and amortised over the applicable period benefited, which generally is the contract life. If, however, the amortisation period is less than one year, we expense such costs in the period incurred.

If we transfer goods or services to a customer but do not have an unconditional right to payment, we record a contract asset. Contract assets typically arise from the uniform recognition of introductory promotional discounts over the contract period and accrued revenue for handset sales.

Contract Liabilities. We record contract liabilities when we receive payment prior to transferring goods or services to a customer. We primarily recognise contract liabilities for (i) installation and other upfront services which do not represent a separate performance obligation and (ii) other services that are invoiced prior to when services are provided

Promotional Discounts. For subscriber promotions, such as discounted or free services during an introductory period, revenue is recognised uniformly over the contractual period if the contract has substantive termination penalties. If a contract does not have substantive termination penalties, revenue is recognised only to the extent of the discounted monthly fees charged to the subscriber, if any.

Subscriber Advance Payments. Payments received in advance for the services we provide are deferred and recognised as revenue when the associated services are provided.

Sales and Other VAT. Revenue is recorded net of applicable sales and other VAT.

Contract Life and Timing of Recognition. A large portion of our revenue is derived from customers who are not subject to contracts. Revenue from customers not subject to contracts is recognised on a month-to-month basis as the services are provided. Revenue from customers who are subject to contracts is generally recognised over the term of such contracts, which is typically 12 months for our residential service contracts, one to three years for our mobile service contracts and one to five years for our B2B service contracts.

For additional information regarding our revenue recognition and related costs, see note 10. For a disaggregation of our revenue by major category, see note 5.

Share-based Compensation

We recognise all share-based and long term incentive payments from Liberty Global and Telefónica to our employees, including grants of employee share-based incentive awards, based on their grant-date fair values and our estimates of forfeitures. We recognise share-based compensation expense as a charge to operations over the vesting period based on the grant-date fair value of outstanding awards, which may differ from the fair value of such awards on any given date. Where borne by our Company, payroll taxes incurred in connection with the vesting or exercise of share-based incentive awards are recorded as a component of share-based compensation expense in our consolidated statements of profit or loss. The fair value of share-based payments is calculated at the grant date using an adjusted statistical model. We consider historical trends in our calculation of the expected life of options, where applicable. We use the straight-line method to recognise share-based compensation expense for outstanding share awards to our employees that do not contain a performance condition and the accelerated expense attribution method for our outstanding share awards that contain a performance condition and vest on a graded basis.

For additional information regarding our share-based compensation, see note 20.

Critical Accounting Policies, Estimates and Judgements

In connection with the preparation of the consolidated financial statements, we make estimates and assumptions that affect the reported amounts of assets and liabilities, revenue and expenses and related disclosure of contingent assets and liabilities. Critical accounting policies are defined as those policies that are reflective of significant judgments, estimates and uncertainties, which would potentially result in materially different results under different assumptions and conditions. We believe the following accounting policies are critical in the preparation of the consolidated financial statements because of the judgement necessary to account for these matters and the significant estimates involved, which are susceptible to change:

- Impairment of property, plant and equipment and intangible assets (including goodwill);
- Costs associated with construction and installation activities;
- Fair value measurements;
- Joint arrangements; and
- Income tax accounting.

(a) Impairment of Property, Plant and Equipment and Intangible Assets (including goodwill)

The aggregate carrying value of our property, plant and equipment and intangible assets that was held for use comprised 58.2% and 65.2% of our total assets at 31 December 2023 and 2022, respectively.

When circumstances warrant, we review the carrying amounts of our property, plant and equipment and our intangible assets (other than goodwill) to determine whether such carrying amounts continue to be recoverable. Such changes in circumstance may include (i) an expectation of a sale or disposal of a non-current asset or asset group, (ii) adverse changes in market or competitive conditions, (iii) an adverse change in legal factors or business climate in the markets in which we operate and (iv) operating or cash flow losses. For purposes of impairment testing, non-current assets are grouped at the lowest level for which cash flows are largely independent of other assets and liabilities. If the carrying amount of the asset or asset group is greater than the recoverable amount, an impairment adjustment is recognised. Such adjustment is measured by the amount that the carrying value of such asset or asset group exceeds its recoverable amount. Assets to be disposed of are recorded at the lower of their carrying amount or fair value less costs to sell. There is not considered to be a significant risk of material adjustment to the carrying amounts of our property, plan and equipment and other tangible assets (other than goodwill) in the year to 31 December 2023.

We evaluate goodwill for impairment at least annually and whenever facts and circumstances indicate that the carrying amount of goodwill may not be recoverable. If the recoverable amount is less than carrying value, any excess would be charged to operations as an impairment loss. The recoverable amount is the higher of fair value less costs of disposal and value in use.

For additional information regarding goodwill impairment, see note 9.

The determination of our CGU is judgmental, and involves an identification of the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The CGU we use to evaluate goodwill for impairment is our sole reportable segment reflecting our mobile, broadband internet, video and fixed-line telephony business delivered across our fixed-line and mobile networks in the UK. In the current year, no critical judgements were applied in assessing our CGUs.

An impairment loss will be recognised when the recoverable amount, being the higher of the CGU's value-in-use and fair value less costs of disposal, of a CGU is less than the carrying amount at the date of testing. When required, considerable management judgement is necessary to estimate the recoverable amount of our sole CGU and underlying non-current and indefinite-lived assets. We typically determine value in use using an income-based approach (discounted cash flows) based on assumptions in our long-range business plans. With respect to our discounted cash flow analysis used in the income-based approach, the timing and amount of future cash flows under these business plans require estimates of, amongst other items, subscriber growth and retention rates, rates charged per product, expected gross margin and Adjusted EBITDA (as defined in note 32) margin, tax cash flows and expected property, plant and equipment additions. The development of these cash flows, and the discount rate applied to the cash flows, is subject to inherent uncertainties, and actual results could vary significantly from such estimates. Future cash flows used in the value-in-use calculation are based on five-year financial forecasts in the strategic plan, as approved by senior management and the board. The process of preparing the strategic plan takes into account current market conditions and challenges, the macroeconomic, competitive, regulatory and technological environment, the CGU's competitive position and future growth opportunities.

Our determination of the discount rate is based on a weighted average cost of capital (**WACC**) approach, which uses a market participant's cost of equity and after-tax cost of debt and reflects the risks inherent in the cash flows.

If, amongst other factors, the adverse impacts of economic, competitive, regulatory or other factors were to cause our results of operations or cash flows to be worse than anticipated, we could conclude in future periods that impairment charges are required in order to reduce the carrying values of our goodwill and, to a lesser extent, other non-current assets. Any such impairment charges could be significant.

(b) Costs Associated with Construction and Installation Activities

We capitalise costs associated with the construction of new fixed-line and mobile network and the installation of new fixed-line services. Installation activities that are capitalised include (i) the initial connection (or drop) from our fixed-line system to a customer location, (ii) the replacement of a drop and (iii) the installation of equipment for additional services, such as broadband internet, video or fixed-line telephony services. The costs of other customer-facing activities, such as reconnecting customer locations where a drop already exists, disconnecting customer locations and repairing or maintaining drops, are expensed as incurred.

The nature and amount of labour and other costs to be capitalised with respect to construction and installation activities involves significant judgement and estimate. In addition to direct external and internal labour and materials, we also capitalise other costs directly attributable to our construction and installation activities, including dispatch costs, quality-control costs, vehicle-related costs and certain warehouse-related costs. The capitalisation of these costs is based on time sheets, time studies, standard costs, call tracking systems and other verifiable means that directly link the costs incurred with the applicable capitalisable activity. We continuously monitor the appropriateness of our capitalisation policies and update the policies when necessary to respond to changes in facts and circumstances, such as the development of new products and services and changes in the manner that installations or construction activities are performed. There is not considered to be a significant risk of material adjustment to the costs associated with construction and installation activities in the year to 31 December 2023.

(c) Fair Value Measurements

IFRS provides guidance with respect to the recurring and non-recurring fair value measurements and for a fair value hierarchy that prioritises the inputs to valuation techniques used to measure fair value into three broad levels. Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

Recurring Valuations. We performed recurring fair value measurements with respect to our derivative instruments and our fair value method investments, which are carried at fair value. We use cash flow valuation models to determine the fair values of our interest rate and foreign currency derivative instruments. We use quoted market prices when available and, when not available, we use a combination of an income approach (discounted cash flows) and a market approach (market multiples of similar businesses) to determine the fair value of our fair value method investments. For a detailed discussion of the inputs we use to determine the fair value of our derivative instruments, see notes 17 and 18.

Changes in the fair values of our derivative instruments have had, and we believe will continue to have, a significant and volatile impact on our results of operations. During the years ended 31 December 2023 and 2022, we recognised a net (loss) gain of £(804.0) million and £2,188.2 million, respectively, attributable to changes in the fair values of these items.

As further described in note 18, actual amounts received or paid upon the settlement of our derivative instruments may differ materially from the recorded fair values at 31 December 2023.

Non-recurring Valuations. Our non-recurring valuations are primarily associated with the application of acquisition accounting which require fair value determinations as of the applicable valuation date. Accounting for the Joint Venture formation has also required a non recurring valuation. In making these determinations, we are required to make estimates and assumptions that affect the recorded amounts, including, but not limited to, expected future cash flows, market comparables and discount rates, remaining useful lives of non-current assets, replacement or reproduction costs of property, plant and equipment and the amounts to be recovered in future periods from acquired net operating losses and other deferred tax assets. To assist us in making these fair value determinations, we may engage third-party valuation specialists. Our estimates in this area impact, amongst other items, the amount of depreciation and amortisation, impairment charges and income tax expense or benefit that we report. Our estimates of fair value are based upon assumptions we believe to be reasonable, but which are inherently uncertain. All of our non-current assets are subject to impairment assessments. For additional information, see note 18. For information regarding our non-current assets, see note 9. There is not considered to be a significant risk of material adjustment to the fair value measurements in the year to 31 December 2023.

(d) Joint Arrangements
We participate in a number of joint arrangements where control of the arrangement is shared with one or more other parties. Judgement is required to classify joint arrangements in a separate legal entity as either a joint operation or as a joint venture. This judgement will depend on management's assessment of the legal form and substance of the arrangement taking into account relevant facts and circumstances such as whether the owners have rights to substantially all the economic outputs and, in substance, settle the liabilities of the entity.

The classification can have a material impact on our consolidated financial statements. We account for an interest in a joint operation by recognising the assets and liabilities and the related revenue, expenses and share of commitments in proportion to our contribution to and participation in the joint operation.

Our investment and share of results of joint ventures are accounted for under the equity method where the share of results of joint ventures are shown within single line items in the consolidated statements of financial position and the consolidated statements of profit or loss, respectively.

We have determined our interests in CTIL, which is principally engaged in maintaining and managing the non-radio (passive) assets supporting the mobile wireless network of Vodafone Limited (**Vodafone**) and Telefónica UK Limited (a subsidiary of VMED O2), to be classified as a joint operation. In the year to 31 December 2023, our stake in CTIL was reduced (see note 27 for further details). The new minority stakeholder has non-participative rights and we retain the operational and governance control over CTIL. As a result, the assets, liabilities, related revenue, expenses and share of commitments have been recognised in proportion to our contribution to and participation in the joint operation within our consolidated financial statements.

We have determined our interests in Tesco Mobile Limited (**Tesco Mobile**) to be classified as a joint venture. Under the equity method, the investment in a joint venture is initially recognised at cost. The carrying amount of the investment is adjusted to recognise changes in our share of net assets of the joint venture since the acquisition date. The statement of comprehensive income (loss) reflects our share of the results of operations of the joint venture.

(e) Income Tax Accounting
We are required to estimate the amount of tax payable or refundable for the current year and the deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts and income tax basis of assets and liabilities and the expected benefits of utilising tax losses and tax credit carryforwards, using enacted or substantially enacted tax rates in effect for each taxing jurisdiction in which we operate for the year in which those temporary differences are expected to be recovered or settled. This process requires our management to make assessments regarding the timing and probability of the ultimate tax impact of such items.

Net deferred tax assets are recognised to the extent that the realisation of them is considered probable. Recognising deferred tax assets requires us to make assessments about the timing of future events, including the probability of expected future taxable income and available tax planning strategies. The actual amount of deferred income tax benefits realised in future periods will likely differ from the net deferred tax assets reflected in our 31 December 2023 consolidated statement of financial position due to, amongst other factors, possible future changes in income tax law or interpretations thereof in the jurisdictions in which we operate and differences between estimated and actual future taxable income. Any such factors could have a material effect on our current and deferred tax positions as reported in our consolidated financial statements. A high degree of judgement is required to assess the impact of possible future outcomes on our current and deferred tax positions.

Tax laws in jurisdictions in which we have a presence are subject to varied interpretation, and many tax positions we take are subject to significant uncertainty regarding whether the position will be ultimately sustained after review by the relevant tax authority. We recognise the financial statement effects of a tax position when it is considered probable that the position will be sustained upon examination. The determination of whether the tax position meets the probable threshold requires a facts-based judgment using all information available. Where we have concluded that the probable threshold is not met, the amount of tax benefit recognised in our consolidated financial statements is different than the amount taken or expected to be taken in our tax returns.

(3) Joint Venture Formation

The Joint Venture was consummated on 1 June 2021, at which point the immediate parent VMED O2 UK Limited controlled 100% of the voting interests in both Virgin Media and O2, combining Virgin Media's fixed-line network with O2's mobile operations.

We accounted for the Joint Venture in accordance with IFRS 3 — Business Combinations, using the acquisition method of accounting as of 1 June 2021. The identifiable net assets of both Virgin Media and O2 were assessed for their respective fair values in accordance with purchase price allocation accounting and the excess of VMED O2's business enterprise value over the fair value of identifiable net assets was allocated to goodwill. This resulted in net assets, including goodwill, of £20,773.8m being recognised on 1 June 2021.

Common Control Transfer

On 16 September 2021, as part of certain reorganisation transactions, VMED O2 UK Limited made a contribution to VMED O2 comprising VMED O2 UK Limited's then ownership interests in (i) Virgin Media and (ii) certain other entities, including the parent of O2, in exchange for two additional shares issued at a premium (the **September 2021 Transactions**). We have accounted for the September 2021 Transactions as common control transfers under the pooling of interest method and, accordingly, have reflected these transactions at carry-over basis as of 1 June 2021.

As a result of the September 2021 Transactions, the reporting entity associated with the annual reporting provisions of the credit facilities agreement and bond indentures governing our outstanding indebtedness is VMED O2 and, accordingly, the financial position, profit or loss and cash flows of VMED O2 UK Limited are not included in these consolidated non-statutory financial statements.

(4) Recent Pronouncements

New Accounting Standards, Not Yet Effective

At the date of preparation of these consolidated non-statutory financial statements, the following accounting standards and amendments to existing standards had been published, but their application is not mandatory:

Standards and amendments	Title	Mandatory application: annual periods beginning on or after
Amendments to International Accounting Standard (IAS) 1	Classification of Liabilities as Current or Non-current	1 January 2024
Amendment to IAS 1	Non-current Liabilities with Covenants	1 January 2024
Amendments to IAS 7 and International Financial Reporting Standard (IFRS) 7	Supplier Finance Arrangements	1 January 2024
Amendments to IFRS 16	Lease Liability in a Sale and Leaseback	1 January 2024
Amendments to IFRS 10 and IAS 28	Sale or Contribution of Asset between an investor and its Associates or Joint Venture	Available for optional adoption / effective date deferred indefinitely.

Based on assessments made to date, we do not expect the adoption of these new pronouncements to have a significant impact on our consolidated financial statements. All standards that became effective on 1 January 2023 have been adopted with no material impact on our consolidated financial statements being:

- Amendment to IAS 1 and IFRS Practice Statement 2: Disclosure of Accounting Policies
- Amendment to IAS 8: Definition of Accounting Estimates
- Amendment to IAS 12: Deferred Tax Related to Assets and Liabilities Arising From a Single Transaction
- Amendment to IAS 12: Deferred Tax - temporary mandatory relief from deferred tax accounting for BEPS Pillar 2
- IFRS 17: Insurance Contracts
- Amendments to IFRS 4: Extension of the Temporary Exemption from Applying IFRS 9

(5) Segment Reporting

We have one reportable segment that provides mobile, broadband internet, video and fixed-line telephony services in the UK. Our revenue by major category is set forth below:

	Year ended 31 December	
	2023	2022
	in millions	in millions
Mobile [a]	5,949.3	5,913.7
Handset	1,521.1	1,614.6
Fixed	3,872.7	3,953.6
Consumer fixed [b]	3,325.2	3,398.7
Subscription [c]	3,266.6	3,329.7
Other [d]	58.6	69.0
B2B fixed [e]	547.5	554.9
Other [f]	1,090.7	492.7
Total	**£ 10,912.7**	**£ 10,360.0**

(a) Mobile revenue includes amounts received from residential and B2B customers for ongoing services and, amongst other items, revenue from sales of mobile handsets and interconnect revenue.

(b) Consumer fixed revenue includes subscription and other revenue for ongoing services and the recognition of deferred installation revenue over the associated contract period.

(c) Consumer fixed subscription revenue includes revenue from subscribers who purchase bundled services at a discounted rate and is generally allocated proportionally to each service based on the standalone price for each individual service. As a result, changes in the standalone pricing of our fixed-line and mobile products or the composition of bundles can contribute to changes in our product revenue categories from period to period. Additionally, we include revenue from certain small or home office (**SoHo**) subscribers who pay a premium price to receive expanded service levels that are the same or similar to the mass-marketed products offered to our residential subscribers.

(d) Consumer fixed other revenue includes, amongst other items, channel carriage fees, late fees and revenue from the sale of equipment.

(e) B2B fixed revenue includes (i) revenue from business broadband internet, video and fixed-line telephony services offered to medium to large enterprises and, on a wholesale basis, to other operators and (ii) revenue from long-term leases of portions of our network.

(f) Other revenue includes primarily revenue from construction management activities provided to nexfibre, £579.4 million in 2023, amongst other items such as corporate activities provided to nexfibre, the sale of handset insurance policies, the Smart Metering Implementation Programme (SMIP), the provision of information and communication technology services and associated connectivity to O2 business customers and other services.

Remaining Performance Obligations

The total future revenue from the remaining terms of our contracts with customers for performance obligations not yet delivered to those customers was estimated to be £6,942.3 million and £7,272.0 million at 31 December 2023 and 2022, respectively. Future revenue is expected to be substantially recognised within 3 years.

No information has been provided about remaining performance obligations at 31 December 2023 and 2022 that was part of a contract with an original expected duration of less than one year.

(6) Group Operating Profit

The details of certain charges (credits) included in group operating profit are set forth below:

	Year ended 31 December	
	2023	2022
	in millions	in millions
Depreciation of property, plant and equipment (note 9)	£ 1,967.9	£ 2,321.5
o/w Depreciation of ROU assets (note 14)	£ 181.9	£ 201.3
Amortisation of intangible assets (note 9)	£ 1,237.3	£ 1,232.4
Gain on disposal of property, plant and equipment	£ (5.3)	£ (4.3)
Cost of inventories recognised within cost of sales	£ 1,774.1	£ 1,820.4
Net impairment losses on financial and contract assets	£ 243.1	£ 187.1
Goodwill impairment (note 9)	£ 3,107.0	£ —

(7) Auditor's Remuneration

We paid the following amounts to the Group auditor in respect of the audit of the consolidated financial statements and for other services provided to the Group.

Fees paid to the auditor for audit and other services to the Company are not disclosed in the individual accounts as the Group accounts are required to disclose such fees on a consolidated basis.

Fees payable to the Company's auditor and their associates for other services represent fees payable for services in relation to other statutory filings or engagements that are required to be carried out by the Group's auditor.

	Year ended 31 December			
		2023		2022
		in millions		in millions
Audit services:				
Audit of the parent Company and consolidated financial statements	£	5.0	£	4.5
Fees payable to the Company's auditor and their associates for other services:				
Statutory audit services — statutory accounts of the Company's subsidiaries		0.5		0.5
Total	**£**	**5.5**	**£**	**5.0**

(8) Key Management Personnel Compensation

Key management personnel comprise the board of directors and key senior management of our Company and our main subsidiaries. Their compensation for the indicated periods is as follows:

	Year ended 31 December			
		2023		2022
		in millions		in millions
Salaries and short-term benefits [(a)]	£	13.7	£	12.2
Share-based compensation [(b)]		10.6		7.2
Post-employment benefits		0.1		—
Total	**£**	**24.4**	**£**	**19.4**

(a) Salaries and short-term benefits include salaries, bonus, directors' fees and certain other cash and non-cash benefits.
(b) Share-based compensation include charges for awards associated with ordinary shares of Liberty Global and Telefónica. See note 20 for further information.

(9) Intangible Assets and Property, Plant and Equipment

Intangible Assets

Changes in the carrying amounts of our goodwill and intangible assets subject to amortisation during the year ended 31 December 2023 and 2022 are as follows:

	Goodwill in millions	Customer relationships in millions	Mobile spectrum licences and other in millions	Computer software in millions	Intangible assets in progress in millions	Total in millions
Cost:						
1 January 2022	**£ 12,847.9**	**£ 7,713.0**	**£ 1,461.7**	**£ 654.6**	**£ 90.4**	**£ 22,767.6**
Additions	—	—	—	—	249.8	249.8
Retirements, disposals and other	—	—	—	(1.9)	—	(1.9)
Assets transferred into service	—	—	—	235.1	(235.1)	—
31 December 2022	**12,847.9**	**7,713.0**	**1,461.7**	**887.8**	**105.1**	**23,015.5**
Additions	—	—	—	—	303.0	303.0
Retirements, disposals and other	—	—	—	(135.6)	—	(135.6)
Assets transferred into service	—	—	—	236.2	(236.2)	—
Impairment	(3,107.0)	—	—	—	—	(3,107.0)
31 December 2023	**£ 9,740.9**	**£ 7,713.0**	**£ 1,461.7**	**£ 988.4**	**£ 171.9**	**£ 20,075.9**
Accumulated amortisation:						
1 January 2022	**£ —**	**£ (499.9)**	**£ (78.3)**	**£ (152.7)**	**£ —**	**£ (730.9)**
Amortisation	—	(857.0)	(92.5)	(282.9)	—	(1,232.4)
Retirements, disposals and other	—	—	—	1.9	—	1.9
31 December 2022	**—**	**(1,356.9)**	**(170.8)**	**(433.7)**	**—**	**(1,961.4)**
Amortisation	—	(857.0)	(92.8)	(287.5)	—	(1,237.3)
Retirements, disposals and other	—	—	—	135.9	—	135.9
31 December 2023	**£ —**	**£ (2,213.9)**	**£ (263.6)**	**£ (585.3)**	**£ —**	**£ (3,062.8)**
Intangible assets, net:						
31 December 2023	**£ 9,740.9**	**£ 5,499.1**	**£ 1,198.1**	**£ 403.1**	**£ 171.9**	**£ 17,013.1**
31 December 2022	**£ 12,847.9**	**£ 6,356.1**	**£ 1,290.9**	**£ 454.1**	**£ 105.1**	**£ 21,054.1**

Goodwill is not amortised, but is instead tested for impairment at least annually for our sole CGU. An impairment loss will be recognised when the recoverable amount of a CGU is less than the carrying amount at the date of testing.

The determination of our CGU is judgmental, and involves an identification of the smallest group of assets that generates cash inflows that are largely independent of the cash inflows from other assets or groups of assets. The CGU we use to evaluate goodwill for impairment is our sole reportable segment reflecting our mobile, broadband internet, video and fixed-line telephony business delivered across our fixed-line and mobile networks in the UK. Management considered that Virgin Media O2 as a whole is a single CGU as the same underlying asset base provides mobile, broadband internet, video and fixed-line telephony services in the UK. There is significant fixed-mobile convergence and interlinked business units that align with management's ongoing monitoring of the business. For further details, please refer to the Accounting Policies section.

The determination of recoverable amount, being the higher of the CGU's value-in-use and fair value less costs of disposal, is inherently judgmental and requires management to determine certain estimates, including management's expectations of future revenue and net cash flows, discount rates and terminal growth rates.

Future cash flows used in the value-in-use calculation are based on five-year financial forecasts included as a part of the business' ten-year plan. A ten-year time horizon has been used for our full fibre upgrade plan. Given the capital-intensive nature of the plan in the initial years, using a five-year period for the goodwill impairment analysis provides an imbalanced view of the net present value and the longer time horizon more accurately reflects the cash flows in the long run.

The process of preparing the business plan takes into account past experience, current market conditions and challenges, the macroeconomic, competitive, regulatory and technological environment, the CGU's competitive position and future growth opportunities. Management consider EBITDA margin, WACC, terminal growth rate, capital intensity ratio and terminal value tax rate to be key assumptions.

The average EBITDA margin growth assumed in the business plan over the projected period is 4.7%. This is based on past experience, future pricing strategy and consequent customer behaviour, procurement requirements and benchmarking performed against comparable companies in the sector.

Future cash flow forecasts are discounted using the post-tax WACC, determined by the weighted average cost of equity and debt according to our financing structure, and benchmarked against externally available data. The post-tax discount rate used in the value-in-use calculation as of 31 December 2023 and 2022 was 7.5% and 7.3%, respectively. The pre-tax discount rate at 31 December 2023 and 2022 was 8.3%.

The terminal growth rate reflects our long-term growth prospects, the growth and maturity of the industry we operate in, and new technology developments. This is benchmarked against externally available data and analysts' estimates. The terminal growth rate used in the value-in-use calculation as of 31 December 2023 and 2022 was 1.0%.

The capital intensity ratio used in determining the terminal value free cash flow is based on the strategic plan and reflects that planned network upgrades will be stepped down over time towards a normalised level that is based upon our future capital requirements. The capital intensity ratio applied to the cash flow projections as of 31 December 2023 and 2022 was 16.8% and 16.0% respectively.

The effective tax rate used in determining the post-tax free cash flow as of 31 December 2023 and 2022 was 24.1% and 24.3%, respectively. It is based on our current forecast corporation tax rates and the utilisation of available unused tax losses. This is sensitive to future changes in corporation tax rates and forecast of the utilisation of unused losses.

As of 31 December 2023, the carrying value of £35.4 billion exceeds the value in use of £32.3 billion, resulting in a £3.1 billion impairment for the year ended 31 December 2023. As of 31 December 2022 we had £0.3 billion in headroom. This change is largely driven by:

(a) Decline in the projected cash flows resulting from effects of broader macroeconomic environment in the UK;
(b) Increase in WACC against a backdrop of rising interest rates through the year;
(c) Adverse economic and business conditions, political challenges and industry trends;
(d) Inflationary pressures impacting consumer disposable income and spending levels; and
(e) Certain events that are outside of our control, such as the ongoing invasion of Ukraine by Russia and Israeli-Palestinian conflict.

The goodwill calculation in the current year is sensitive to the following reasonably possible variations in key assumptions:

- +/- 100 basis points on terminal value EBITDA margin would impact the valuation by +/- £1 billion
- +/- 50 basis points on WACC would impact the valuation by +/- £2.5 billion
- +/- 25 basis points on TGR would impact the valuation by +/- 1.1 billion
- +/- 25 basis points on capital intensity ratio would impact the valuation by +/- £0.3 billion
- +/- 20 basis points on terminal value tax rate would impact the valuation by +/- £0.1 billion

Property, Plant and Equipment, Net

Changes in the carrying amounts of our property, plant and equipment, net, during the year ended 31 December 2023 and 2022 are as follows:

	Plant and machinery in millions	Land and buildings in millions	Computer equipment, tools and other items in millions	Property, plant and equipment in progress in millions	Total in millions
Cost:					
1 January 2022	**£ 8,326.2**	**£ 1,052.5**	**£ 969.3**	**£ 672.0**	**£ 11,020.0**
Additions	59.0	41.6	—	2,057.6	2,158.2
Retirements, disposals and other	(180.2)	(34.6)	(19.7)	(50.3)	(284.8)
Assets transferred into service	1,319.8	40.5	457.0	(1,817.3)	—
31 December 2022	**9,524.8**	**1,100.0**	**1,406.6**	**862.0**	**12,893.4**
Additions	56.6	60.9	—	1,791.2	1,908.7
Retirements, disposals and other	(405.0)	(40.5)	(28.2)	(9.5)	(483.2)
Assets transferred into service	1,596.5	61.9	400.7	(2,059.1)	—
31 December 2023	**£ 10,772.9**	**£ 1,182.3**	**£ 1,779.1**	**£ 584.6**	**£ 14,318.9**
Accumulated depreciation:					
1 January 2022	**£ (999.3)**	**£ (118.2)**	**£ (144.6)**	**£ —**	**£ (1,262.1)**
Depreciation	(1,834.3)	(188.2)	(299.0)	—	(2,321.5)
Retirements, disposals and other	142.6	3.2	18.7	—	164.5
31 December 2022	(2,691.0)	(303.2)	(424.9)	—	(3,419.1)
Depreciation	(1,419.6)	(187.2)	(361.1)	—	(1,967.9)
Retirements, disposals and other	394.3	15.9	27.9	—	438.1
31 December 2023	**£ (3,716.3)**	**£ (474.5)**	**£ (758.1)**	**£ —**	**£ (4,948.9)**
Property, plant and equipment, net:					
31 December 2023	**£ 7,056.6**	**£ 707.8**	**£ 1,021.0**	**£ 584.6**	**£ 9,370.0**
31 December 2022	**£ 6,833.8**	**£ 796.8**	**£ 981.7**	**£ 862.0**	**£ 9,474.3**

During the year ended 31 December 2023 and 2022, we recorded non-cash increases to our property, plant and equipment related to vendor financing arrangements of £716.7 million and £759.9 million, respectively, which exclude related value-added taxes (**VAT**) of £132.7 million and £145.6 million, respectively, that were also financed under these arrangements.

(10) Trade Receivables and Other Assets (restated)[(a)(b)]

The details of our restated trade receivables and other non-current and current assets are set forth below:

	31 December 2023 in millions	31 December 2022 in millions
Trade receivables and other non-current assets:		
Trade receivables [(a)]	£ 17.6	£ 41.9
Contract assets [(a)]	135.7	182.2
Contract-related costs [(b)]	14.7	14.7
Net investment in lease [(b)]	75.5	28.1
Prepayments	23.0	16.7
Restricted cash	43.3	41.4
Other [(b)]	90.0	58.7
Total	**£ 399.8**	**£ 383.7**
Trade receivables and other current assets:		
Trade receivables [(a)]	£ 844.1	£ 811.0
Contract assets [(a)]	586.9	538.0
Contract-related costs [(b)]	138.8	129.1
Net investment in lease [(b)]	119.2	132.7
Prepayments	294.1	266.1
Unbilled revenue	140.3	199.3
Other [(b)]	258.7	241.7
Total	**£ 2,382.1**	**£ 2,317.9**

(a) Certain prior year amounts within the details of our trade receivables and other non-current and current assets have been reclassified to conform to the current year presentation. Specifically £331.0 million and £86.4 million have been reclassified from current and non-current trade receivables to current and non-current contract assets respectively.

(b) Certain prior year amounts previously reported in other non-current and current assets, specifically contract-related costs and net investment in lease,have been reclassified to conform to the current year presentation.

Contract-Related Costs

Contract-related costs refer to incremental costs incurred to obtain customer contracts; principally sales commissions. These are recognised as assets and amortised over the applicable period benefited, generally the contract life. If, however, the amortisation period is less than one year, we expense such costs in the period incurred. We amortised £156.1 million and £102.0 million during the years ended 31 December 2023 and 2022, respectively, to operating costs and expenses related to these assets.

Net Investment in Lease

Net investment in lease refers to a number of lease-out arrangements in respect of agreements with B2B customers for use of various network assets. For further information see note 14.

The detailed ageing of our trade receivables and the related allowance for expected credit losses is set forth below:

	31 December 2023		31 December 2022	
	Trade receivables, gross in millions	Allowance for expected credit losses in millions	Trade receivables, gross [(a)] in millions	Allowance for expected credit losses [(a)] in millions
Not past due	£ 647.0	£ (9.1)	£ 697.1	£ (9.0)
1 - 90 days	128.2	(13.3)	126.5	(14.2)
90 - 360 days	98.6	(37.6)	82.0	(31.9)
Over 360 days	84.3	(36.4)	30.3	(27.9)
Total trade receivables	**£ 958.1**	**£ (96.4)**	**£ 935.9**	**£ (83.0)**

The development of our allowance for expected credit losses of trade receivables for the indicated periods is set forth below (in millions):

Allowance at 1 January 2022	£	(58.8)
Increase in allowance for expected credit losses		(153.2)
Write-off of receivables [(a)]		129.0
Allowance at 31 December 2022		**(83.0)**
Increase in allowance for expected credit losses		(131.4)
Write-off of receivables		118.0
Allowance at 31 December 2023	**£**	**(96.4)**

(a) Prior year amounts within the details of our trade receivables and other non-current and current assets have been reclassified to conform to the current year presentation, as detailed above.

When a trade receivable is determined to be uncollectible, it is written off against the allowance for expected credit losses. The allowance for expected credit losses of trade receivables is included within other expenses in our consolidated statements of profit or loss.

The allowance for expected credit losses is based upon our assessment of probable loss related to uncollectible trade receivables. We use a number of factors in determining the allowance, including, amongst other things, collection trends, prevailing and anticipated economic conditions and specific customer credit risk. The allowance is maintained until either receipt of payment or the likelihood of collection is considered to be remote.

(11) Trade Payables and Other Liabilities

Trade payables are non-interest bearing and generally repayable on terms of up to 60 days. The details of our trade payables and other non-current and current liabilities are set forth below:

	31 December			
	2023		**2022**	
	in millions		**in millions**	
Trade payables and other non-current liabilities:				
Contract liabilities (note 10)	£	116.8	£	139.6
Other		91.1		87.5
Total	**£**	**207.9**	**£**	**227.1**
Trade payables and other current liabilities:				
Trade payables	£	1,454.2	£	1,378.6
Contract liabilities (note 10)		522.6		554.5
Other taxes payable		553.4		548.3
Accrued capital expenditures		316.5		423.9
Accrued expenses		329.3		410.5
Other		431.1		447.3
Total	**£**	**3,607.1**	**£**	**3,763.1**

During the years ended 31 December 2023 and 2022, we recognised revenue of £518.4 million and £545.2 million, respectively, that was included in our contract liability balances at 31 December 2023 and 2022.

(12) Inventory

As of 31 December 2023 and 2022, our inventory was £261.7 million and £178.6 million, respectively.Our inventory primarily consists of mobile devices of £190.1 million (2022: £162.1 million) and inventory held for resale to nexfibre of £71.2 million (2022: £16.5 million), and is presented net of provisions for obsolescence. There is no material difference between the carrying value of inventories and their replacement cost.

(13) Debt

The pound sterling equivalents of the components of our third-party debt are as follows:

	31 December 2023		Principal amount 31 December	
	Weighted average interest rate (a)	Unused borrowing capacity (b) in millions	2023 in millions	2022 in millions
VMED O2 Credit Facilities (c)	8.02 %	£ 1,449.3	£ 8,082.6	£ 6,921.1
VMED O2 Senior Secured Notes	4.49 %	—	7,999.1	8,453.1
VMED O2 Senior Notes	4.53 %	—	1,158.3	1,207.2
Vendor financing (d)	6.82 %	—	2,991.2	2,442.7
CTIL Loan (e)	7.76 %	99.5	188.0	160.0
Other	1.10 %	—	293.7	199.9
Total third-party debt before deferred financing costs, discounts, premiums and accrued interest (f)	**6.19 %**	**£ 1,548.8**	**£ 20,712.9**	**£ 19,384.0**

The following table provides a reconciliation of total third-party debt before deferred financing costs, discounts, premiums and accrued interest to total debt including interest and lease obligations:

	31 December 2023 in millions	31 December 2022 in millions
Total third-party debt before deferred financing costs, discounts, premiums and accrued interest	**£ 20,712.9**	**£ 19,384.0**
Deferred financing costs, discounts and premiums, net	5.7	40.0
Total carrying amount of third-party debt	**20,718.6**	**19,424.0**
Lease obligations (note 14)	750.8	839.3
Total third-party debt and lease obligations	**21,469.4**	**20,263.3**
Accrued interest	297.6	227.9
Related-party debt (note 24)	8.8	25.2
Total debt including interest and lease obligations	**£ 21,775.8**	**£ 20,516.4**
Non-current debt and lease obligations	**£ 18,350.3**	**£ 17,507.5**
Current portion of debt and lease obligations	**£ 3,425.5**	**£ 3,008.9**

(a) Represents the weighted average interest rate in effect at 31 December 2023 for all borrowings outstanding pursuant to each debt instrument, including any applicable margin. The interest rates presented represent stated rates and do not include the impact of derivative instruments, deferred financing costs, original issue premiums or discounts and commitment fees, all of which affect our overall cost of borrowing. Including the effects of derivative instruments, original issue premiums or discounts and commitment fees, but excluding the impact of deferred financing costs, the weighted average interest rate on our aggregate third-party variable and fixed-rate indebtedness was 5.21% at 31 December 2023. For information regarding our derivative instruments, see note 17.

(b) Unused borrowing capacity under the VMED O2 Credit Facilities amounts to £1,449.3 million, comprising (i) £1,432.0 million under the Revolving Facility and (ii) £17.3 million under Term Loan Z. Unused borrowing capacity represents the maximum availability under the VMED O2 Credit Facilities at 31 December 2023 without regard to covenant compliance calculations or other conditions precedent to borrowing. At 31 December 2023, based on the most restrictive applicable leverage covenants and leverage-based restricted payment tests £1,449.3 million of unused borrowing capacity was available to be borrowed and there were no restrictions on our ability to make loans or distributions from this availability to other VMED O2 subsidiaries and ultimately to VMED O2 UK Limited.
Upon completion of the relevant 31 December 2023 compliance reporting requirements, and based on the most restrictive applicable leverage covenants and leverage-based restricted payment tests, we expect £1,449.3 million of unused borrowing capacity will continue to be available, with no restrictions to loan or distribute. Our above expectations do not consider any actual or potential changes to our borrowing levels or any amounts loaned or distributed subsequent to 31 December 2023, or the impact of additional amounts that may be available to borrow, loan or distribute under certain defined baskets within the VMED O2 Credit Facilities.
The CTIL Loan is a revolving loan facility with maximum borrowing capacity equivalent to £575.0 million (as defined and described below). At 31 December 2023, our proportional share of the unused borrowing capacity of the CTIL Loan was £99.5 million.

(c) As of 31 December 2023 and 2022, principal amounts include £37.0 million and £41.0 million, respectively, of borrowings pursuant to excess cash facilities under the VMED O2 Credit Facilities. These borrowings are owed to certain non-consolidated special purpose financing entities that have issued notes to finance the purchase of receivables due from certain of our subsidiaries to certain other third parties for amounts that we and our subsidiaries have vendor financed. To the extent the proceeds from these notes exceed the amount of vendor financed receivables available to be purchased, the excess proceeds are used to fund these excess cash facilities under our senior credit facilities.

(d) Represents amounts owed to various creditors pursuant to interest-bearing vendor financing arrangements that are used to finance certain of our property, plant and equipment additions and operating expenses. These arrangements extend our repayment terms beyond a vendor's ordinary due dates (e.g., extension beyond a vendor's customary payment terms) and as such are classified outside of accounts payable as debt in our consolidated statements of financial position. These obligations are generally due within one year and include VAT that was also financed under these arrangements. For purposes of our consolidated statements of cash flows, operating-related expenses financed by an intermediary are treated as constructive operating cash outflows and constructive financing cash inflows when the intermediary settles the liability with the vendor as there is no actual cash outflow until we pay the financing intermediary. During the years ended 31 December 2023 and 2022, the constructive cash outflows included in cash flows from operating activities and the corresponding constructive cash inflows included in cash flows from financing activities related to these operating expenses were £2,509.9 million and £1,765.8 million, respectively. Repayments of vendor financing obligations at the time we pay the financial intermediary are included in repayments of third-party debt and lease obligations in our consolidated statements of cash flows.

(e) Represents our proportional share of the third-party debt of CTIL, a £575.0 million revolving loan facility (the CTIL Loan). The CTIL Loan was issued at par, matures on 6 January 2027 and bears interest at a rate of Sterling Overnight Index Average (SONIA) + 2.0%, subject to a SONIA floor of 0.0%. CTIL periodically draws down and repays the CTIL Loan. We have determined our interest in CTIL, which is principally engaged in maintaining and managing the passive assets supporting the mobile wireless network of Vodafone Limited (Vodafone) and Telefónica UK Limited (a subsidiary of VMED O2), to be classified as a joint operation (see note 27 for further details), and as such, the assets, liabilities (including the CTIL Loan), revenue, expenses and share of commitments have been recognised in proportion to VMED O2's contribution to the joint operation within our condensed consolidated financial statements.

(f) As of 31 December 2023 and 2022, our debt had an estimated fair value of £19.8 billion and £17.5 billion, respectively. The estimated fair values of our debt instruments are generally determined using the average of applicable bid and ask prices (mostly Level 1 of the fair value hierarchy). For additional information regarding fair value hierarchies, see note 18.

General Information
Credit Facilities. We have entered into a senior secured credit facility agreement with certain financial and other institutions and senior credit facility agreements with certain non-consolidated special purpose financing entities (as described under VMED O2 Credit Facilities below) (the "credit facilities"). Certain of our credit facilities provide for adjustments to our borrowing rates based on the achievement, or otherwise, of certain sustainability-linked metrics. Our credit facilities contain certain covenants, the more notable of which are as follows:

- Our credit facilities contain certain consolidated net leverage ratios, as specified in the relevant credit facility, which are required to be complied with (i) on an incurrence basis and (ii) in respect of our senior secured credit facilities, when the associated revolving credit facilities have been drawn beyond a specified percentage of the total available revolving credit commitments on a maintenance basis;
- Subject to certain customary and agreed exceptions, our credit facilities contain certain restrictions which, among other things, restrict the ability of certain of our subsidiaries to (i) incur or guarantee certain financial indebtedness, (ii) make certain disposals and acquisitions, (iii) create certain security interests over their assets and (iv) make certain restricted payments to their direct and indirect parent companies through dividends, loans or other distributions;
- Our credit facilities require that certain of our subsidiaries (i) guarantee the payment of all sums payable under the relevant credit facility and (ii) in respect of our senior secured credit facilities, grant first-ranking security over substantially all of their assets to secure the payment of all sums payable thereunder;
- In addition to certain mandatory prepayment events, the instructing group of lenders under our senior secured credit facilities, under certain circumstances, may cancel the lenders' commitments thereunder and declare the loan(s) thereunder due and payable after the applicable notice period following the occurrence of a change of control (as specified in the senior secured credit facilities);
- In addition to certain mandatory prepayment events, the individual lender under each of our senior credit facilities, under certain circumstances, may cancel its commitments thereunder and declare the loan(s) thereunder due and payable at a price of 101% after the applicable notice period following the occurrence of a change of control (as specified in the relevant senior credit facility);
- Our credit facilities contain certain customary events of default, the occurrence of which, subject to certain exceptions, materiality qualifications and cure rights, would allow the instructing group of lenders to (i) cancel the total commitments, (ii) declare that all or part of the loans be payable on demand and (iii) accelerate all outstanding loans and terminate their commitments thereunder;
- Our credit facilities require that we observe certain affirmative and negative undertakings and covenants, which are subject to certain materiality qualifications and other customary and agreed exceptions;
- In addition to customary default provisions, our senior secured credit facilities include cross-default provisions with respect to the other indebtedness of certain of our subsidiaries, subject to agreed minimum thresholds and other customary and agreed exceptions; and
- Our senior credit facilities provide that any failure to pay principal at its stated maturity (after the expiration of any applicable grace period) of, or any acceleration with respect to, other indebtedness of the borrower or certain subsidiaries over agreed minimum thresholds (as specified under the applicable senior credit facility), is an event of default under the respective senior credit facility.

From time to time, we create special purpose financing entities (**SPEs**). These SPEs are created for the primary purpose of facilitating the offering of senior secured notes, which we collectively refer to as "**SPE Notes**".

The SPEs use the proceeds from the issuance of the SPE Notes to fund term loan facilities under the senior secured credit facilities, each a "**Funded Facility**" and collectively, the "**Funded Facilities**." Each SPE is dependent on payments from the relevant borrowing entity under the applicable Funded Facility in order to service its payment obligations under each respective SPE Note. The SPEs are consolidated by VMED O2. As a result, the amounts outstanding under the Funded Facilities of the SPEs are eliminated in the consolidated financial statements of VMED O2.

Pursuant to the respective indentures for the SPE Notes (the **SPE Indentures**) and the respective accession agreements for the Funded Facilities, the call provisions, maturity dates and applicable interest rates for each Funded Facility are the same as those of the related SPE Notes. Each SPE, as lender under the relevant Funded Facility, is treated the same as the other lenders under the senior secured credit facilities, with benefits, rights and protections similar to those afforded to the other lenders. Through the covenants in the applicable SPE Indenture and the applicable security interests over the relevant SPE's rights under the applicable Funded Facility granted to secure the relevant SPE's obligations under the relevant SPE Notes, the holders of the SPE Notes are provided indirectly with the benefits, rights, protections and covenants granted to the SPE as lender under the applicable Funded Facility. The SPEs are prohibited from incurring any additional indebtedness, subject to certain exceptions under the SPE Indentures.

The SPE Notes are non-callable prior to their respective call date (as specified under the applicable SPE Indenture). If, however, at any time prior to the applicable call date, all or a portion of the loans under the related Funded Facility are voluntarily prepaid (a **SPE Early Redemption Event**), then the SPE will be required to redeem an aggregate principal amount of its respective SPE Notes equal to the aggregate principal amount of the loans prepaid under the relevant Funded Facility. In general, the redemption price payable will equal 100% of the principal amount of the applicable SPE Notes to be redeemed and a "make-whole" premium, which is the present value of all remaining scheduled interest payments to the applicable call date using the discount rate as of the redemption date plus a premium (as specified in the applicable SPE Indenture). Upon the occurrence of a SPE Early Redemption Event on or after the applicable call date, the SPE will redeem an aggregate principal amount of its respective SPE Notes equal to the principal amount prepaid under the related Funded Facility at a redemption price (expressed as a percentage of the principal amount) plus accrued and unpaid interest and additional amounts (as specified in the applicable SPE Indenture), if any, to the applicable redemption date.

Senior and Senior Secured Notes. Virgin Media Finance plc, VMED O2 UK Financing I plc (**VMED O2 Financing I**) and Virgin Media Secured Finance plc (**Virgin Media Secured Finance**), each a wholly-owned subsidiary of VMED O2, have issued certain senior and senior secured notes, respectively. In general, our senior and senior secured notes (i) are senior obligations of the issuer of such notes that rank equally with all of the existing and future senior debt of such issuer and are senior to all existing and future subordinated debt of such issuer, (ii) contain, in most instances, certain guarantees from certain of our subsidiaries (as specified in the applicable indenture) and (iii) with respect to our senior secured notes, are secured by certain pledges or liens over substantially all of the assets of certain of our subsidiaries. In addition, the indentures governing our senior and senior secured notes contain certain covenants, the more notable of which are as follows:

- Our notes provide that any failure to pay principal at its stated maturity (after the expiration of any applicable grace period) of, or any acceleration with respect to, other indebtedness of the issuer or certain subsidiaries over agreed minimum thresholds (as specified under the applicable indenture), is an event of default under the respective notes;
- Subject to certain materiality qualifications and other customary and agreed exceptions, our notes contain (i) certain customary incurrence-based covenants and (ii) certain restrictions that, amongst other things, restrict our ability to (a) incur or guarantee certain financial indebtedness, (b) make certain disposals and acquisitions, (c) create certain security interests over our assets and (d) make certain restricted payments to our direct and indirect parent companies through dividends, loans or other distributions;
- If certain of our subsidiaries (as specified in the applicable indenture) sell certain assets, the issuer must, subject to certain materiality qualifications and other customary and agreed exceptions, offer to repurchase the applicable notes at par, or if a change of control (as specified in the applicable indenture) occurs, the issuer must offer to repurchase all of the relevant notes at a redemption price of 101%; and
- Our senior secured notes contain certain early redemption provisions including the ability to, during each 12-month period commencing on the issue date for such notes until the applicable call date (**Call Date**), redeem up to 10% of the original principal amount of the notes at a redemption price equal to 103% of the principal amount of the notes to be redeemed plus accrued and unpaid interest.

VMED O2 Notes
The details of the outstanding VMED O2 Notes as of 31 December 2023 are summarised in the following table:

				Outstanding principal amount		
VMED O2 Notes	**Maturity**	**Interest rate**	**Original issue amount in millions**	**Borrowing currency in millions**	**Pound sterling equivalent in millions**	**Carrying value [a] in millions**
Senior Notes:						
2030 Dollar Senior Notes	15 July 2030	5.000 %	$ 925.0	$ 925.0	£ 724.8	£ 723.9
2030 Euro Senior Notes	15 July 2030	3.750 %	€ 500.0	€ 500.0	433.5	434.0
Total Senior Notes					**1,158.3**	**1,157.9**
Senior Secured Notes:						
2027 Sterling Senior Secured Notes	15 April 2027	5.000 %	£ 457.5	£ 457.5	457.5	468.7
2029 4.00% Sterling Senior Secured Notes [b]	31 January 2029	4.000 %	£ 600.0	£ 600.0	600.0	597.2
2029 Dollar Senior Secured Notes	15 May 2029	5.500 %	$ 1,425.0	$ 1,425.0	1,116.5	1,172.1
2029 5.25% Sterling Senior Secured Notes	15 May 2029	5.250 %	£ 340.0	£ 340.0	340.0	354.1
2030 4.25% Sterling Senior Secured Notes	15 January 2030	4.250 %	£ 635.0	£ 635.0	635.0	635.8
2030 Dollar Senior Secured Notes	15 August 2030	4.500 %	$ 915.0	$ 915.0	716.9	718.1
2030 4.125% Sterling Senior Secured Notes	15 August 2030	4.125 %	£ 480.0	£ 480.0	480.0	479.0
2031 Euro Senior Secured Notes [b]	31 January 2031	3.250 %	€ 950.0	€ 950.0	823.6	829.7
2031 4.25% Dollar Senior Secured Notes [b]	31 January 2031	4.250 %	$ 1,350.0	$ 1,350.0	1,057.7	1,037.6
2031 4.75% Dollar Senior Secured Notes [b][c]	15 July 2031	4.750 %	$ 1,400.0	$ 1,400.0	1,096.9	1,094.1
2031 Sterling Senior Secured Notes [b][c]	15 July 2031	4.500 %	£ 675.0	£ 675.0	675.0	672.1
Total Senior Secured Notes					**7,999.1**	**8,058.5**
Total					**£ 9,157.4**	**£ 9,216.4**

(a) Amounts are net of deferred financing costs, discounts, premiums and accrued interest, including amounts recorded in connection with acquisition accounting for the Joint Venture, where applicable.
(b) Respective Senior Secured Notes are SPE Notes that have been issued by VMED O2 Financing I.
(c) Respective Senior Secured Notes are VMED O2 Green Bonds that have been issued by VMED O2 Financing I.

The VMED O2 Notes are non-callable prior to the applicable Call Dates, as presented in the table below. At any time prior to the respective Call Date, the Company may redeem some or all of the applicable notes by paying a 'make-whole' premium, which is the present value of all remaining scheduled interest payments to the applicable Call Date using the discount rate (as specified in the applicable indenture) as of the redemption date plus 50 basis points.

VMED O2 Notes	Call Date
2030 Dollar Senior Notes	15 July 2025
2030 Euro Senior Notes	15 July 2025
2027 Sterling Senior Secured Notes	15 April 2022
2029 4.00% Sterling Senior Secured Notes	31 January 2024
2029 Dollar Senior Secured Notes	15 May 2024
2029 5.25% Sterling Senior Secured Notes	15 May 2024
2030 4.25% Sterling Senior Secured Notes	15 October 2024
2030 Dollar Senior Secured Notes	15 August 2025
2030 4.125% Sterling Senior Secured Notes	15 August 2025
2031 Euro Senior Secured Notes	31 January 2026
2031 4.25% Dollar Senior Secured Notes	31 January 2026
2031 4.75% Dollar Senior Secured Notes	15 July 2026
2031 Sterling Senior Secured Notes	15 July 2026

VMED O2 may redeem some or all of the VMED O2 Senior Notes and the VMED O2 Senior Secured Notes at the following redemption prices (expressed as a percentage of the principal amount) plus accrued and unpaid interest and additional amounts (as specified in the applicable indenture), if any, to the applicable redemption date, as set forth below:

	Redemption Price					
	2030 Dollar Senior Notes	**2030 Euro Senior Notes**	**2027 Sterling Senior Secured Notes**	**2029 4.00% Sterling Senior Secured Notes**	**2029 Dollar Senior Secured Notes**	**2029 5.25% Sterling Senior Secured Notes**
12-month period commencing	15 July	15 July	15 April	31 January	15 May	15 May
2024	N/A	N/A	100.625 %	102.000 %	102.750 %	102.625 %
2025	102.500 %	101.875 %	100.000 %	101.000 %	101.375 %	101.313 %
2026	101.250 %	100.938 %	100.000 %	100.000 %	100.000 %	100.000 %
2027	100.625 %	100.469 %	N/A	100.000 %	100.000 %	100.000 %
2028	100.000 %	100.000 %	N/A	100.000 %	100.000 %	100.000 %
2029 and thereafter	100.000 %	100.000 %	N/A	N/A	N/A	N/A

	Redemption Price						
	2030 4.25% Sterling Senior Secured Notes	**2030 Dollar Senior Secured Notes**	**2030 4.125% Sterling Senior Secured Notes**	**2031 Euro Senior Secured Notes**	**2031 4.25% Dollar Senior Secured Notes**	**2031 4.75% Dollar Senior Secured Notes**	**2031 Sterling Senior Secured Notes**
12-month period	15 October	15 August	15 August	31 January	31 January	15 July	15 July
2024	102.125 %	N/A	N/A	N/A	N/A	N/A	N/A
2025	101.063 %	102.250 %	102.063 %	N/A	N/A	N/A	N/A
2026	100.531 %	101.125 %	101.031 %	101.625 %	102.125 %	102.375 %	102.250 %
2027	100.000 %	100.563 %	100.516 %	100.813 %	101.063 %	101.188 %	101.125 %
2028	100.000 %	100.000 %	100.000 %	100.406 %	100.530 %	100.594 %	100.563 %
2029 and thereafter	100.000 %	100.000 %	100.000 %	100.000 %	100.000 %	100.000 %	100.000 %

VMED O2 Credit Facilities

The VMED O2 Credit Facilities are the senior and senior secured credit facilities of certain subsidiaries of VMED O2. The details of the borrowings under the VMED O2 Credit Facilities as of 31 December 2023 are summarised in the following table:

VMED O2 Credit Facilities	Maturity	Interest rate	Facility amount (in borrowing currency) in millions	Outstanding principal amount in millions	Unused borrowing capacity in millions	Carrying value [a] in millions
Senior Secured Facilities:						
L [b]	15 January 2027	SONIA+3.25%	£ 296.1	£ 296.1	£ —	£ 294.4
M [b]	15 November 2027	SONIA+3.25%	£ 258.7	258.7	—	257.0
N [c]	31 January 2028	Term SOFR+2.50%	$ 3,300.0	2,585.6	—	2,578.7
O [d]	31 January 2029	EURIBOR+2.50%	€ 750.0	650.2	—	648.0
Q [c]	31 January 2029	Term SOFR+3.25%	$ 1,300.0	1,018.6	—	1,019.0
R [d]	31 January 2029	EURIBOR+3.25%	€ 750.0	650.2	—	651.0
S [g]	31 January 2029	4.00 %	£ 600.0	597.2	—	597.2
T [g]	31 January 2031	3.25 %	€ 950.0	829.7	—	829.7
U [g]	31 January 2031	4.25 %	$ 1,350.0	1,037.6	—	1,037.6
V [g]	15 July 2031	4.50 %	£ 675.0	672.1	—	672.1
W [g]	15 July 2031	4.75 %	$ 1,400.0	1,094.1	—	1,094.1
X	30 September 2027	SONIA+3.25%	£ 1,000.0	1,000.0		985.7
Y [c]	31 March 2031	Term SOFR+3.25%	$ 1,250.0	979.4		965.5
Z [d]	15 October 2031	EURIBOR+3.50%	€ 720.0	606.8	17.3	597.4
Revolving Facility [e]	30 September 2026	SONIA+2.75%	£ 108.0	—	108.0	—
Revolving Facility [e]	30 September 2029	SONIA+2.75%	£ 1,324.0	—	1,324.0	—
Elimination of Facilities S, T, U, V and W in consolidation [g]				(4,230.7)	—	(4,230.7)
Total Senior Secured Facilities				**8,045.6**	**1,449.3**	**7,996.7**
Senior Facilities:						
Financing Facility III [f]	15 July 2028	4.875 %	£ 900.0	25.1	—	23.9
Financing Facility IV [f]	15 July 2028	5.000 %	$ 500.0	11.9	—	11.9
Total Senior Facilities				**37.0**	**—**	**35.8**
Total				**£ 8,082.6**	**£ 1,449.3**	**£ 8,032.5**

(a) Amounts are net of deferred financing costs and discounts, where applicable.
(b) Facility L and Facility M are each subject to a SONIA and any applicable credit adjustment spread floor of 0.0%.
(c) Facility N, Facility Q and Facility Y are each subject to a Term Secured Overnight Financing Rate (Term SOFR) and any applicable credit adjustment spread floor of 0.0%. For details around the transition from LIBOR to Term SOFR, refer to note 16.
(d) Facility O, Facility R and Facility Z are each subject to a EURIBOR and any applicable credit adjustment spread floor of 0.0%.
(e) The Revolving Facility has a fee on unused commitments of 1.1% per year.
(f) Amounts represent borrowings that are owed to certain non-consolidated special purpose financing entities that have issued notes to finance the purchase of receivables due from certain of our subsidiaries to certain other third parties for amounts that we and our subsidiaries have vendor financed. To the extent the proceeds from these notes exceed the amount of vendor financed receivables available to be purchased, the excess proceeds are used to fund these excess cash facilities under our senior credit facilities.
(g) The amounts outstanding under Facilities S through W are eliminated in our consolidated financial statements.

Financing Transactions

Below we provide summary descriptions of certain financing transactions completed during 2023. In general, a portion of our financing transactions may include non-cash borrowings and repayments. During the years ended 31 December 2023 and 2022, our non-cash borrowings and repayments aggregated nil and £376 million, respectively.

In March 2023, we entered into a $750.0 million sustainability linked term loan facility (Term Loan Y). Term Loan Y matures on 31 March 2031 and bears interest at a rate of Term SOFR plus 3.25% (subject to adjustment based on the achievement or otherwise of certain ESG metrics). The proceeds were used to repay $220.0 million of the outstanding principal amount under Term Loan X. The remaining proceeds were used for general corporate purposes (including the repayment of the existing debt, specifically the Revolving Facility).

In March 2023, we made a further draw down of £325.0 million of Term Loan X, the proceeds of which were used for general corporate purposes.

In June 2023, we made a final draw down of £325.0 million of Term Loan X, the proceeds of which were used for general corporate purposes.

In August 2023, we introduced certain ESG metrics to £1,269.8 million of the Revolving Facility, which may result in an interest rate adjustment based on the achievement or otherwise of such metrics. In addition, we extended the maturity of the same portion of the Revolving Facility to 30 September 2029 (2029 tranche).

In September 2023, we upsized Term Loan Y by $500.0 million on the same terms as Term Loan Y. The proceeds will be used for refinancing activities.

In September 2023, we entered into a €700.0 million sustainability linked term loan facility (Term Loan Z). Term Loan Z matures on 15 October 2031 and bears interest at a rate of EURIBOR plus 3.50% (subject to adjustment based on the achievement or otherwise of certain ESG metrics). The proceeds were used to for refinancing activities.

In September 2023, the maximum borrowing capacity of the CTIL Loan increased from £500.0 million to £575.0 million.

In November, the proceeds of Term Loan Z and the upsizing of Term Loan Y were used to (i) purchase and cancel £217.5 million outstanding principal of our existing 2027 Sterling Senior Secured Notes and (ii) purchase and extinguish £103.9 million and £241.3 million of Facility L and M, respectively, under VMED O2 Credit Facilities.

In December, £280 million of the proceeds from Term Loan Z and the upsizing of Term Loan Y were used to repay Term Loan X. The outstanding principal amount of Term Loan X is £1 billion.

In December, we upsized Term Loan Z by €20.0 million on the same terms as Term Loan Z. The proceeds, once drawn down, will be used for refinancing activities.

In December, we upsized the Revolving Facility by £54.2 million, on the same terms as the existing 2029 tranche.

Maturities of Debt

Maturities of our debt as of 31 December 2023 are presented below:

	Third-party debt [(a)] in millions	Related-party debt in millions	Total in millions
Year ending 31 December:			
2024	£ 2,952.5	£ —	£ 2,952.5
2025	31.5	8.8	40.3
2026	314.5	—	314.5
2027	2,213.9	—	2,213.9
2028	2,595.4	—	2,595.4
Thereafter	12,605.1	—	12,605.1
Total debt maturities [(b)]	**20,712.9**	**8.8**	**20,721.7**
Accrued interest	297.6	—	297.6
Deferred financing costs, discounts and premiums, net	5.7	—	5.7
Total debt	**£ 21,016.2**	**£ 8.8**	**£ 21,025.0**
Non-current portion	**£ 17,765.0**	**£ 8.8**	**£ 17,773.8**
Current portion	**£ 3,251.2**	**£ —**	**£ 3,251.2**

(a) Amounts include SPE Notes issued by the SPEs which, as described above, are consolidated by VMED O2.
(b) Amounts include vendor financing obligations of £2,991.2 million, as set forth below (in millions):

Year ending 31 December:		
2024	£	2,921.8
2025		31.5
2026		20.8
2027		13.6
2028		3.5
Total vendor financing maturities (1)	**£**	**2,991.2**
Non-current portion	**£**	**69.4**
Current portion	**£**	**2,921.8**

(1) Virgin Media Vendor Financing Notes III Designated Activity Company and Virgin Media Vendor Financing Notes IV Designated Activity Company (together, the **2020 VM Financing Companies**) have issued an aggregate £1,291.8 million equivalent of notes maturing in July 2028. The net proceeds from these notes are used by the 2020 VM Financing Companies to purchase from various third parties certain vendor financed receivables owed by certain of our subsidiaries. To the extent the proceeds from these notes exceed the amount of vendor financed receivables available to be purchased, the excess proceeds are used to fund excess cash facilities under our senior credit facilities. The 2020 VM Financing Companies can request the excess cash facilities be repaid by certain of our subsidiaries as additional vendor financed receivables become available for purchase.

Vendor Financing Obligations

A reconciliation of the beginning and ending balances of our vendor financing obligations for the indicated periods is set forth below:

		2023 in millions		2022 in millions
Balance at 1 January	£	2,442.7	£	2,104.7
Operating-related vendor financing additions		2,509.9		1,765.8
Capital-related vendor financing additions		716.7		759.9
Principal payments on operating-related vendor financing		(1,894.6)		(1,632.1)
Principal payments on capital-related vendor financing		(916.6)		(701.5)
Foreign currency and other		133.1		145.9
Balance at 31 December	**£**	**2,991.2**	**£**	**2,442.7**

(14) Leases

General

We enter into leases for network equipment, real estate and vehicles. We provide residual value guarantees on certain of our vehicle leases.

ROU Assets

A summary of the changes in our ROU assets for the year ended 31 December 2023 and 2022 is set forth below:

		Land and buildings in millions		Plant and machinery in millions		Total in millions
Cost:						
1 January 2022	£	829.5	£	175.4	£	1,004.9
Additions		41.6		59.0		100.6
Retirements and disposals		(13.3)		(24.1)		(37.4)
31 December 2022		857.8		210.3		1,068.1
Additions		60.9		56.6		117.5
Retirements and disposals		(26.6)		(26.4)		(53.0)
31 December 2023	**£**	**892.1**	**£**	**240.5**	**£**	**1,132.6**
Accumulated depreciation:						
1 January 2022	£	(83.7)	£	(32.4)	£	(116.1)
Depreciation		(142.9)		(58.4)		(201.3)
Retirements and disposals		6.3		7.4		13.7
31 December 2022		(220.3)		(83.4)		(303.7)
Depreciation		(125.8)		(56.1)		(181.9)
Retirements and disposals		16.3		13.8		30.1
31 December 2023	**£**	**(329.8)**	**£**	**(125.7)**	**£**	**(455.5)**
ROU assets, net:						
31 December 2023	**£**	**562.3**	**£**	**114.8**	**£**	**677.1**
31 December 2022	£	637.5	£	126.9	£	764.4

Our ROU assets are included in property, plant and equipment, net, in our consolidated statements of financial position. At 31 December 2023 and 2022, the weighted average remaining lease term of our ROU assets was 9.6 years and 8.5 years respectively. The weighted average discount rate for 31 December 2023 and 31 December 2022 was 5.2% and 5.0% respectively. During the year ended 31 December 2023 and 2022, we recorded non-cash additions to our ROU assets associated with leases of £117.5 million and £100.6 million, respectively.

Lease Liabilities

Maturities of our lease liabilities are presented below:

	31 December			
		2023 in millions		2022 in millions
Not later than one year	£	209.4	£	230.5
Later than one year and not later than five years		451.5		489.5
Later than five years		352.6		390.1
Total payments		**1,013.5**		**1,110.1**
Less: present value discount		(262.7)		(270.8)
Present value of lease payments	**£**	**750.8**	**£**	**839.3**
Non-current portion [a]	**£**	**576.5**	**£**	**642.8**
Current portion [a]	**£**	**174.3**	**£**	**196.5**

(a) The non-current and current portions of our lease liabilities are included within non-current debt and lease obligations and current portion of debt and lease obligations, respectively, in our consolidated statements of financial position.

Lease Expense

A summary of our aggregate lease expense is set forth below:

	Year ended 31 December	
	2023 in millions	2022 in millions
Depreciation:		
Land and buildings	£ 125.8	£ 142.9
Plant and machinery	56.1	58.4
Total depreciation	**181.9**	**201.3**
Interest expense	44.7	37.1
Total lease expense	**£ 226.6**	**£ 238.4**

Expenses relating to leases of low-value assets and short-term leases for which no ROU asset or lease liability has been recognised were not material.

Cash Flows from Leases

Our total cash outflows from leases recorded during the year ended 31 December 2023 and 2022 were £229.2 million and £206.8 million, respectively.

Future Lease Commitments

During the year, we entered into a lease agreement for a new corporate headquarters in Paddington Central. The lease commences in 2024 with an initial term of 10 years.

Leases as a Lessor

We have entered into a number of lease-out arrangements in respect of agreements with B2B customers for use of various network assets. For these arrangements, we have derecognised the asset, recognising revenue arising from the lease component when control of the network asset is transferred to the customer. During the year ended 31 December 2023 and 2022, we recognised net gains of £75.5 million and £72.2 million, respectively, and interest income of £1.4 million and £1.2 million, respectively, related to these arrangements.

The non-current and current portions of our lease receivables are included within trade receivables and other non-current assets and trade receivables and other current assets, respectively, in our consolidated statements of financial position. Maturities of our lease receivables are presented below:

	31 December	
	2023 in millions	2022 in millions
Not later than one year	£ 124.8	£ 136.0
Later than one year and not later than five years	80.7	28.0
Total undiscounted lease receivables	**205.5**	**164.0**
Less: unearned finance income	(10.8)	(3.2)
Net investment in leases	**£ 194.7**	**£ 160.8**

(15) Provisions

A summary of the changes in our provisions during the indicated periods is set forth below:

	Restructuring [a]	Asset retirement obligations [b]	Other	Total
	in millions	in millions	in millions	in millions
Balance at 1 January 2022	**£ 22.3**	**£ 175.3**	**£ 4.9**	**£ 202.5**
Disposals of property, plant and equipment and other	—	(29.1)	—	(29.1)
Net charges (credits) included in other expenses in the consolidated statements of profit or loss	49.3	(1.0)	0.4	48.7
Cash payments	(28.2)	(0.8)	—	(29.0)
Reclassifications	(2.4)	1.3	—	(1.1)
Balance at 31 December 2022	**41.0**	**145.7**	**5.3**	**192.0**
Disposals of property, plant and equipment and other	—	(9.1)	—	(9.1)
Additions to property, plant and equipment	—	7.6	—	7.6
Net charges (credits) included in other expenses in the consolidated statements of profit or loss	100.4	(1.1)	(0.5)	98.8
Cash payments	(93.2)	(1.6)	—	(94.8)
Reclassifications	(0.2)	—	—	(0.2)
Balance at 31 December 2023	**£ 48.0**	**£ 141.5**	**£ 4.8**	**£ 194.3**

(a) Restructuring provisions include the full cost of planned business restructuring programmes entered into during the year, most of which are expected to be completed within the next 12 months.

(b) VMED O2 has certain legal obligations, principally relating to the restoration of leased property to its original condition at the end of the lease term. The provision is based on assumptions covering the discount rate, expected lease renewals and the expected cost of restoring the sites. The payment dates of these asset retirement costs are uncertain, but are currently as of 31 December 2023 and 31 December 2022, anticipated to be over the next 26 years and 27 years, respectively. The provision recognised represents the best estimate of the expenditure required to settle the present obligation at 31 December 2023. Such cost estimations, expressed at current price levels at the date of the estimate are discounted at 31 December 2023 and 31 December 2022 using rates in the range of 3.8% to 4.1% and 1.9% to 4.0%, respectively, per annum. The initial discounted cost amount has been capitalised as part of property, plant and equipment and depreciated over the life of the assets.

(16) Financial Risk Management

Overview

We have exposure to the following risks that arise from our financial instruments:

- Credit Risk
- Liquidity Risk
- Market Risk

Our exposure to each of these risks, the policies and procedures that we use to manage these risks and our approach to capital management are discussed below.

Credit Risk

Credit risk is the risk that we would experience financial loss if our customers or the counterparties to our financial instruments and cash investments were to default on their obligations to us.

We manage the credit risks associated with our trade receivables by performing credit verifications, following established dunning procedures and engaging collection agencies. We also manage this risk by disconnecting services to customers whose accounts are delinquent. Concentration of credit risk with respect to trade receivables is limited due to the large number of customers. For information regarding the ageing of our trade receivables, see note 10.

We are exposed to the risk that the counterparties to our derivative instruments, cash holdings and undrawn debt facilities will default on their obligations to us. We manage these credit risks through the evaluation and monitoring of the creditworthiness of, and concentration of risk with, the respective counterparties. In this regard, credit risk associated with our derivative instruments and undrawn debt facilities is spread across a relatively broad counterparty base of banks and financial institutions. Collateral is generally not posted by either party under the derivative instruments. Most of our cash currently is invested in either (i) AAA credit rated money market funds, including funds that invest in government obligations, or (ii) overnight deposits with banks having a minimum credit rating of A by Standard & Poor's or an equivalent rating by Moody's Investor Service. To date, neither the access to nor the value of our cash and cash equivalent balances have been adversely impacted by liquidity problems of financial institutions.

At 31 December 2023, our exposure to counterparty credit risk included (i) derivative assets with an aggregate fair value of £567.9 million, (ii) aggregate undrawn debt facilities of £1,548.8 million and (iii) cash and cash equivalents and restricted cash of £286.5 million.

We have entered into derivative instruments under master agreements with each counterparty that contain master netting arrangements that are applicable in the event of early termination by either party to such derivative instrument. The master netting arrangements are limited to the derivative instruments governed by the relevant master agreement and are independent of similar arrangements.

Under our derivative contracts, it is generally only the non-defaulting party that has a contractual option to exercise early termination rights upon the default of the other counterparty and to set off other liabilities against sums due upon such termination. However, in the event of an insolvency of a derivative counterparty, under the laws of certain jurisdictions, the defaulting counterparty or its insolvency representatives may be able to compel the termination of one or more derivative contracts and trigger early termination payment liabilities payable by us, reflecting any mark-to-market value of the contracts for the counterparty. Alternatively, or in addition, the insolvency laws of certain jurisdictions may require the mandatory set off of amounts due under such derivative contracts against present and future liabilities owed to us under other contracts between us and the relevant counterparty. Accordingly, it is possible that we may be subject to obligations to make payments, or may have present or future liabilities owed to us partially or fully discharged by set off as a result of such obligations, in the event of the insolvency of a derivative counterparty, even though it is the counterparty that is in default and not us. To the extent that we are required to make such payments, our ability to do so will depend on our liquidity and capital resources at the time. In an insolvency of a defaulting counterparty, we will be an unsecured creditor in respect of any amount owed to us by the defaulting counterparty, except to the extent of the value of any collateral we have obtained from that counterparty.

In addition, where a counterparty is in financial difficulty, under the laws of certain jurisdictions, the relevant regulators may be able to (i) compel the termination of one or more derivative instruments, determine the settlement amount and compel, without any payment, the partial or full discharge of liabilities arising from such early termination that are payable by the relevant counterparty or (ii) transfer the derivative instruments to an alternative counterparty.

While we currently have no specific concerns about the creditworthiness of any counterparty for which we have material credit risk exposures, we cannot rule out the possibility that one or more of our counterparties could fail or otherwise be unable to meet its obligations to us. Any such instance could have an adverse effect on our cash flows, results of operations, financial condition and or liquidity.

Although we actively monitor the creditworthiness of our key vendors, the financial failure of a key vendor could disrupt our operations and have an adverse impact on our revenue and cash flows.

Liquidity Risk

Liquidity risk is the risk that we will encounter difficulty in meeting our financial obligations. In addition to cash and cash equivalents, our primary sources of liquidity are cash provided by operations and access to the available borrowing capacity of our various debt facilities. For information regarding our borrowing availability, see note 13.

The ongoing cash needs of VMED O2 include corporate general and administrative expenses and fees associated with the JV Service Agreements (as defined in note 3). From time to time, we may also require cash in connection with (i) the repayment of outstanding debt and related-party obligations (including the repurchase or exchange of outstanding debt securities in the open market or privately-negotiated transactions), (ii) the funding of dividends or distributions to our immediate parent VMED O2 UK Limited, to in turn fund dividends or distributions by VMED O2 UK Limited pursuant to the Shareholders Agreement, (iii) the satisfaction of contingent liabilities or (iv) acquisitions and other investment opportunities.

Our most significant financial obligations relate to our debt obligations, as described in note 13. The terms of our debt instruments contain certain restrictions, including covenants that restrict our ability to incur additional debt. As a result, additional debt financing is only a potential source of liquidity if the incurrence of any new debt is permitted by the terms of our existing debt instruments.

Our sources of liquidity at the parent level include (i) our cash and cash equivalents and (ii) subject to the restrictions noted above, proceeds in the form of distributions or loans from our subsidiaries. For information regarding limitations imposed by our subsidiaries' debt instruments, see note 13. It is the intention of the Shareholders that the Joint Venture, and by extension VMED O2, will be a self-funding company capable of financing its activities on a stand-alone basis without recourse to either Shareholder.

Our ability to generate cash from our operations will depend on our future operating performance, which is in turn dependent, to some extent, on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond our control. We believe that our current sources of liquidity will be sufficient to fund our currently anticipated working capital needs, capital expenditures and other liquidity requirements during the next 12 months, although no assurance can be given that this will be the case. In this regard, it is not possible to predict how political and economic conditions, sovereign debt concerns or any adverse regulatory developments could impact the credit markets we access and, accordingly, our future liquidity and financial position. Our ability to access debt financing on favourable terms, or at all, could be adversely impacted by (i) the financial failure of any of our counterparties which could (a) reduce amounts available under committed credit facilities and (b) adversely impact our ability to access cash deposited with any failed financial institution and (ii) tightening of the credit markets. In addition, sustained or increased competition, particularly in combination with adverse economic or regulatory developments, could have an unfavourable impact on our cash flows and liquidity.

We use budgeting and cash flow forecasting tools to ensure that we will have sufficient resources to timely meet our liquidity requirements. We also maintain a liquidity reserve to provide for unanticipated cash outflows.

The following table shows the timing of expected cash payments or receipts based on the contractually agreed upon terms for our financial liabilities as of 31 December 2023:

	Payments (receipts) due during:						
	2024	2025	2026	2027	2028	Thereafter	Total
	in millions	in millions	in millions	in millions	in millions	in millions	in millions
Debt:							
Principal – third-party	£ 2,952.5	£ 31.5	£ 314.5	£ 2,213.9	£ 2,595.4	£ 12,605.1	£ 20,712.9
Principal – related-party	—	8.8	—	—	—	—	8.8
Interest [(a)]	1,309.6	1,008.5	975.2	921.8	721.4	1,022.9	5,959.4
Leases [(a)]	209.4	130.8	121.3	105.9	93.5	352.6	1,013.5
Projected derivative cash payments (receipts), net [(b)]	66.9	90.6	91.8	124.9	(94.9)	(88.6)	190.7
Total	**£ 4,538.4**	**£ 1,270.2**	**£ 1,502.8**	**£ 3,366.5**	**£ 3,315.4**	**£ 13,892.0**	**£ 27,885.3**

(a) Amounts are based on interest rates, interest payment dates, commitment fees and contractual maturities in effect as of 31 December 2023. These amounts are presented for illustrative purposes only and will likely differ from the actual cash payments required in future periods. Amounts presented for leases include both principal and interest.

(b) The pound sterling equivalents of our net projected cash flows associated with our derivative instruments are based on interest rate projections and exchange rates as of 31 December 2023. These amounts are presented for illustrative purposes only and will likely differ from the actual cash payments or receipts required in future periods. For additional information regarding our derivative instruments, see note 17.

Market Risk

Interest Rate Risk

We are exposed to changes in interest rates primarily as a result of our borrowing activities, which include fixed-rate and variable-rate borrowings by our subsidiaries. Our primary exposure to variable-rate debt is through our SONIA-indexed, Term SOFR-indexed and EURIBOR-indexed VMED O2 Credit Facilities.

In general, we enter into derivative instruments to protect against increases in the interest rates on our variable-rate debt. Accordingly, we have entered into various derivative transactions to manage exposure to increases in interest rates. We use interest rate derivative contracts to exchange, at specified intervals, the difference between fixed and variable interest rates calculated by reference to an agreed-upon notional principal amount. We also use interest rate cap agreements and swaptions to lock in a maximum interest rate if variable rates rise, but also allow our Company to benefit from declines in market rates. Under our current guidelines, we use various interest rate derivative instruments to mitigate interest rate risk, generally for the full term of the underlying variable-rate debt. In this regard, we use judgement to determine the appropriate composition and maturity dates of our portfolios of interest rate derivative instruments, taking into account the relative costs and benefits of different maturity profiles in light of current and expected future market conditions, liquidity issues and other factors. For additional information concerning the impacts of these interest rate derivative instruments, see note 17.

There have been significant changes in the benchmark interest rates used to set floating rates on our debt and derivative instruments. ICE Benchmark Administration (the entity that administers LIBOR) ceased to publish GBP LIBOR rates after 31 December 2021, and it ceased to publish USD LIBOR after 30 June, 2023. EURIBOR has been reformed and has been granted regulatory approval to continue to be used.

On 6 March 2023, the European Money Markets Institute (**EMMI**) announced proposed enhancements to EURIBOR's hybrid methodology that will be phased in over six months starting mid-May 2024. Currently, the contribution made by the panel banks follows a three-level waterfall approach including transactions from the observation period, derived or historical transactions or "expert judgement" grounded on transactions from nearby markets. The new methodology will end the use of "expert judgement" to determine the EURIBOR rate and certain historical transactions will be linked to the Euro Short-Term Rate (**€STR**), bringing the risk profile of EURIBOR closer to that of €STR. While the changes are expected to reduce the risk exposure for panel banks, there is uncertainty regarding the impact on rates and money market spreads from a possible increased fixing volatility.

We have agreed amendments in respect of all of our debt and derivative instruments to replace the ceased rates. For USD, these reference Term SOFR administered by CME Group Benchmark Administration Limited. For GBP, these reference the SONIA.

Weighted Average Variable Interest Rate

At 31 December 2023, the outstanding principal amount of our variable-rate indebtedness aggregated £7.3 billion and the weighted average interest rate (including margin) on such variable-rate indebtedness was approximately 7.6%, excluding the effects of interest rate derivative contracts, deferred financing costs, original issue premiums or discounts and commitment fees, all of which affect our overall cost of borrowing. Assuming no change in the amount outstanding, and without giving effect to any interest rate derivative contracts, deferred financing costs, original issue premiums or discounts and commitment fees, a hypothetical 50 basis point (0.50%) increase (decrease) in our weighted average variable interest rate would increase (decrease) our annual consolidated interest expense and cash outflows by £36.5 million. As discussed above and in note 17, we use interest rate derivative contracts to manage our exposure to increases in variable interest rates. In this regard, increases in the fair value of these contracts generally would be expected to offset most of the economic impact of increases in the variable interest rates applicable to our indebtedness to the extent and during the period that principal amounts are matched with interest rate derivative contracts.

In addition to the above, we are also exposed to modest, predetermined interest rate adjustments as a result of the achievement or non-achievement of ESG linked metrics contained within certain sustainability linked VMED O2 Credit Facilities. These ESG metrics are primarily related to the reduction of Scope 1 and Scope 2 emissions in line with our pathway to net zero across our operations, products and supply chain by 2040.

Foreign Currency Risk

We are exposed to foreign currency exchange rate risk with respect to our consolidated debt in situations where our debt is denominated in US dollars and euros. Although we generally match the denomination of our and our subsidiaries' borrowings with our functional currency, market conditions or other factors may cause us to enter into borrowing arrangements that are not denominated in our functional currency (unmatched debt). In these cases, our policy is to provide for an economic hedge against foreign currency exchange rate movements by using derivative instruments to synthetically convert unmatched debt into the applicable underlying currency. At 31 December 2023, substantially all of our debt was either directly or synthetically matched to our functional currency. For additional information concerning the terms of our derivative instruments, see note 17.

Currently, the UK is facing various macro-economic pressures, including financial and political challenges, that have impacted the broader UK economy, valuation of the local currency, interest rates and inflationary pressures. In addition to the exposure that results from the mismatch of our borrowings and our functional currency, we are exposed to foreign currency risk to the extent that we enter into transactions denominated in currencies other than our functional currency (non-functional currency risk), such as equipment purchases, programming contracts, notes payable and notes receivable (including intercompany amounts) and certain services provided by our Shareholders. Changes in exchange rates with respect to amounts recorded in our consolidated statements of financial position related to these items will result in unrealised (based upon period-end exchange rates) or realised foreign currency transaction gains and losses upon settlement of the transactions. Moreover, to the extent that our revenue, costs and expenses are denominated in currencies other than our functional currency, we will experience fluctuations in our revenue, costs and expenses solely as a result of changes in foreign currency exchange rates. Generally, we will consider hedging non-functional currency risks when the risks arise from agreements with third parties that involve the future payment or receipt of cash or other monetary items to the extent that we can reasonably predict the timing and amount of such payments or receipts and the payments or receipts are not otherwise hedged. In this regard, we have entered into foreign currency forward and option contracts to hedge certain of these risks. For additional information concerning our foreign currency forward and option contracts, see note 17.

Capital Management

Our ability to service or refinance our debt and to maintain compliance with the leverage covenants in our credit agreements and indentures is dependent primarily on our ability to maintain or increase the Adjusted EBITDA and to achieve adequate returns on our property, plant and equipment additions and acquisitions. In addition, our ability to obtain additional debt financing is limited by incurrence-based leverage covenants contained in our various debt instruments. For additional information regarding our debt obligations, see note 13.

(17) Derivative Instruments

In general, we enter into derivative instruments to protect against (i) increases in the interest rates on our variable-rate debt and (ii) foreign currency movements, particularly with respect to borrowings that are denominated in a currency other than the functional currency of the borrowing entity. In this regard, we have entered into various derivative instruments to manage interest rate exposure and foreign currency exposure with respect to the US dollar (**$**) and the euro (**€**). We do not apply hedge accounting to our derivative instruments. Accordingly, changes in the fair values of most of our derivative instruments are recorded in finance income or costs in our consolidated statements of profit or loss.

The following table provides details of the fair values of our derivative instrument assets and liabilities:

	31 December 2023			31 December 2022		
	Non-current in millions	**Current in millions**	**Total in millions**	**Non-current in millions**	**Current in millions**	**Total in millions**
Assets:						
Cross-currency derivative contracts [(a)]	£ 337.3	£ 166.8	£ 504.1	£ 872.8	£ 180.7	£ 1,053.5
Interest rate derivative contracts [(a)]	488.0	253.3	741.3	827.5	177.5	1,005.0
Foreign currency forward and option contracts	—	0.5	0.5	—	4.5	4.5
Total	**£ 825.3**	**£ 420.6**	**£ 1,245.9**	**£ 1,700.3**	**£ 362.7**	**£ 2,063.0**
Liabilities:						
Cross-currency derivative contracts [(a)]	£ 339.7	£ 57.9	£ 397.6	£ 82.9	£ 80.0	£ 162.9
Interest rate derivative contracts [(a)]	204.3	309.3	513.6	339.0	187.9	526.9
Foreign currency forward and option contracts	—	0.4	0.4	—	1.1	1.1
Total	**£ 544.0**	**£ 367.6**	**£ 911.6**	**£ 421.9**	**£ 269.0**	**£ 690.9**

(a) We consider credit risk relating to our and our counterparties' non-performance in the fair value assessment of our derivative instruments. In all cases, the adjustments take into account offsetting liability or asset positions. The changes in the credit risk valuation adjustments associated with our cross-currency and interest rate derivative contracts resulted in net gains (losses) of £44.7 million and (£112.9 million) during the years ended 31 December 2023 and 2022, respectively. These amounts are included in finance costs in our consolidated statements of profit or loss. For additional information regarding our fair value measurements, see note 18.

The details of our realised and unrealised (losses) gains on derivative instruments, net, are set forth below:

	Year ended 31 December	
	2023 in millions	**2022 in millions**
Cross-currency derivative contracts	£ (695.6)	£ 1,563.4
Interest rate derivative contracts	(100.4)	626.8
Foreign currency forward and option contracts	(8.0)	(2.0)
Total	**£ (804.0)**	**£ 2,188.2**

The net cash received or paid related to our derivative instruments is classified as an operating, investing or financing activity in our consolidated statements of cash flows based on the objective of the derivative instrument and the classification of the applicable underlying cash flows. The following table sets forth the classification of the net cash inflows of our derivative instruments:

	Year ended 31 December	
	2023 in millions	**2022 in millions**
Operating activities	£ 242.9	£ 3.4
Financing activities	(9.1)	381.2
Total	**£ 233.8**	**£ 384.6**

Counterparty Credit Risk

We are exposed to the risk that the counterparties to our derivative instruments will default on their obligations to us. We manage these credit risks through the evaluation and monitoring of the creditworthiness of, and concentration of risk with, the respective counterparties. In this regard, credit risk associated with our derivative instruments is spread across a relatively broad counterparty base of banks and financial institutions, however notwithstanding, given the size of our derivative portfolio, the default of certain counterparties could have a significant impact on our consolidated statements of profit or loss. Collateral is generally not posted by either party under the terms of our derivative instruments. At 31 December 2023 and 2022, our exposure to counterparty credit risk included derivative assets with an aggregate fair value of £0.6 billion and £1.5 billion respectively.

We have entered into derivative instruments under master agreements with each counterparty that contain master netting arrangements that are applicable in the event of early termination by either party to such derivative instrument. The master netting arrangements are limited to the derivative instruments governed by the relevant master agreement and are independent of similar arrangements.

Under our derivative contracts, it is generally only the non-defaulting party that has a contractual option to exercise early termination rights upon the default of the other counterparty and to set off other liabilities against sums due upon such termination. However, in the event of an insolvency of a derivative counterparty, under the laws of certain jurisdictions, the defaulting counterparty or its insolvency representatives may be able to compel the termination of one or more derivative contracts and trigger early termination payment liabilities payable by us, reflecting any mark-to-market value of the contracts for the counterparty. Alternatively, or in addition, the insolvency laws of certain jurisdictions may require the mandatory set off of amounts due under such derivative contracts against present and future liabilities owed to us under other contracts between us and the relevant counterparty. Accordingly, it is possible that we may be subject to obligations to make payments, or may have present or future liabilities owed to us partially or fully discharged by set off as a result of such obligations, in the event of the insolvency of a derivative counterparty, even though it is the counterparty that is in default and not us. To the extent that we are required to make such payments, our ability to do so will depend on our liquidity and capital resources at the time. In an insolvency of a defaulting counterparty, we will be an unsecured creditor in respect of any amount owed to us by the defaulting counterparty, except to the extent of the value of any collateral we have obtained from that counterparty.

In addition, where a counterparty is in financial difficulty, under the laws of certain jurisdictions, the relevant regulators may be able to (i) compel the termination of one or more derivative instruments, determine the settlement amount and compel, without any payment, the partial or full discharge of liabilities arising from such early termination that are payable by the relevant counterparty or (ii) transfer the derivative instruments to an alternative counterparty.

Details of our Derivative Instruments

Cross-currency Derivative Contracts

We generally match the denomination of our borrowings with the functional currency of the supporting operations or, when it is more cost effective, we provide for an economic hedge against foreign currency exchange rate movements by using derivative instruments to synthetically convert unmatched debt into the applicable underlying currency. At 31 December 2023, substantially all of our debt was either directly or synthetically matched to the functional currency of the borrowing entity. The following table sets forth the total notional amounts and the related weighted average remaining contractual lives of our cross-currency swap contracts:

31 December 2023			31 December 2022		
Notional amount due from counterparty	**Notional amount due to counterparty**	**Weighted average remaining life**	**Notional amount due from counterparty**	**Notional amount due to counterparty**	**Weighted average remaining life**
in millions	**in millions**	**in years**	**in millions**	**in millions**	**in years**
$ 15,472.9	£ 12,239.6 (a)	3.9	$ 14,624.0	£ 11,500.4 (a)	4.4
€ 3,800.0	£ 3,403.7	5.5	€ 3,100.0	£ 2,795.5	6.0
£ 1,005.5	$ 1,445.0 (b)	1.1	£ 1,005.5	$ 1,445.0 (b)	2.1
$ 500.0	£ 394.2	1.5	$ 500.0	£ 394.2	2.5
$ 166.6	€ 150.0	4.5	$ 166.6	€ 150.0	5.5

(a) Includes certain derivative instruments that are "forward-starting," such that the initial exchange occurs at a date subsequent to the year end date. These instruments are typically entered into in order to extend existing hedges without the need to amend existing contracts.
(b) These derivative instruments do not involve the exchange of notional amounts at the inception and maturity of the instruments. Accordingly, the only cash flows associated with these derivative instruments are coupon-related payments and receipts.

Interest Rate Swap Contracts

The following table sets forth the total pound sterling equivalents of the notional amounts and the related weighted average remaining contractual lives of our interest rate swap contracts:

	Pay fixed rate (a)		Receive fixed rate	
	Notional amount	**Weighted average remaining life**	**Notional amount**	**Weighted average remaining life**
	in millions	**in years**	**in millions**	**in years**
31 December 2023	£ 10,883.8	3.2	£ 4,510.2	1.3
31 December 2022	£ 12,764.3	3.0	£ 3,530.8	2.5

(a) Includes forward-starting derivative instruments.

Interest Rate Swap Options

From time to time, we enter into interest rate swap options (**swaptions**), which give us the right, but not the obligation, to enter into certain interest rate swap contracts at set dates in the future. Such contracts typically have a life of no more than three years. At the transaction date, the strike rate of each of these contracts was above the corresponding market rate. As of 31 December 2023, the option expiration period on each of our swaptions had expired.

Basis Swaps

Our basis swaps involve the exchange of attributes used to calculate our floating interest rates, including (i) the benchmark rate, (ii) the underlying currency and (iii) the borrowing period. We typically enter into these swaps to optimise our interest rate profile based on our current evaluations of yield curves, our risk management policies and other factors. At 31 December 2023 and 2022, the total pound sterling equivalent of the notional amounts due from the counterparty was £5.5 billion and £5.1 billion, respectively. The related weighted average remaining contractual life of our basis swap contracts in 31 December 2023 and 2022 was 0.3 years and 0.2 years, respectively.

Interest Rate Caps and Floors

From time to time, we enter into interest rate cap and floor agreements. Purchased interest rate caps lock in a maximum interest rate if variable rates rise, but also allow our Company to benefit from declines in market rates. Purchased interest rate floors protect us from interest rates falling below a certain level, generally to match a floating rate floor on a debt instrument. At 31 December 2023, the pound sterling equivalent notional amounts of our purchased interest rate caps and floors were £1.3 billion and £4.4 billion, respectively. At 31 December 2022, the pound sterling equivalent notional amounts of our purchased interest rate caps and floors were £1.6 billion and £7.3 billion, respectively.

Impact of Derivative Instruments on Borrowing Costs

Excluding forward-starting instruments and swaptions, the impact of the derivative instruments that mitigate our foreign currency and interest rate risk, as described above, was a decrease of 95 basis points and 76 basis points to our borrowing costs at 31 December 2023 and 2022, respectively.

Foreign Currency Forwards and Options

We enter into foreign currency forward and option contracts with respect to non-functional currency exposure. As of 31 December 2023 and 2022, the total of the notional amounts of our foreign currency forward and option contracts was £160.6 million and £321.9 million, respectively.

(18) Fair Value Measurements (restated)[(b)]

We use the fair value method to account for our derivative instruments. The reported fair values of these instruments as of 31 December 2023 are unlikely to represent the value that will be paid or received upon the ultimate settlement or disposition of these assets and liabilities.

In order to manage our interest rate and foreign currency exchange risk, we have entered into various derivative instruments, as further described in note 17. The recurring fair value measurements of these instruments are determined using discounted cash flow models. With the exception of the inputs for certain swaptions, most of the inputs to these discounted cash flow models consist of, or are derived from, observable Level 2 data for substantially the full term of these instruments. This observable data mostly includes currency rates, interest rate futures and swap rates, which are retrieved or derived from available market data. Although we may extrapolate or interpolate this data, we do not otherwise alter this data in performing our valuations. We use a Monte Carlo based approach to incorporate a credit risk valuation adjustment in our fair value measurements to estimate the impact of both our own non-performance risk and the non-performance risk of our counterparties. The inputs used for our credit risk valuations, including our and our counterparties' credit spreads, represent our most significant Level 3 inputs, and these inputs are used to derive the credit risk valuation adjustments with respect to these instruments. As we would not expect these parameters to have a significant impact on the valuations of these instruments, we have determined that these valuations (other than the valuations of the aforementioned swaptions) fall under Level 2 of the fair value hierarchy. Our credit risk valuation adjustments with respect to our cross-currency and interest rate swaps are quantified and further explained in note 17.

Fair value measurements are also used in connection with non-recurring valuations performed in connection with acquisition accounting, impairment assessments and the accounting for the JV Transaction. These non-recurring valuations primarily include the enterprise value of our Company in connection with the closing of the JV Transaction, intangible assets subject to amortisation, including customer relationships and mobile spectrum licences, property, plant and equipment and the implied value of goodwill. The implied value of goodwill is determined by allocating the fair value of a CGU to all of the assets and liabilities of that unit as if the CGU had been acquired in a business combination, with the residual amount allocated to goodwill. ll of our non-recurring valuations, except for third-party debt, as further described below, use significant unobservable inputs and therefore fall under Level 3 of the fair value hierarchy.

Upon formation of the JV Transaction, the assets and liabilities of Virgin Media and O2 have been recorded at their fair value, as further described in note 3.

The fair values of our financial assets, financial liabilities and inventory, together with the carrying amounts shown in our consolidated statements of financial position are as follows:

	Fair value hierarchy under IFRS 13 [(a)]	31 December 2023 Carrying amount in millions	31 December 2023 Fair value in millions	31 December 2022 Carrying amount in millions	31 December 2022 Fair value in millions
Assets carried at fair value:					
Derivative financial instruments	II	£ 1,245.9	£ 1,245.9	£ 2,063.0	£ 2,063.0
Assets carried at cost or amortised cost:					
Trade receivables and unbilled revenue [(b)]	I	£ 1,002.0	£ 1,002.0	£ 1,052.2	£ 1,052.2
Loans receivable – related-party (note 24)	I	13,539.5	13,539.5	10,807.4	10,807.4
Inventory	I	261.7	261.7	178.6	178.6
Restricted cash	I	43.4	43.4	41.4	41.4
Other current and non-current financial assets [(b)]	I	1,126.0	1,126.0	983.3	983.3
Cash and cash equivalents	I	243.1	243.1	46.0	46.0
Total		**£ 16,215.7**	**£ 16,215.7**	**£ 13,108.9**	**£ 13,108.9**
Liabilities carried at fair value:					
Derivative financial instruments	II	£ 911.6	£ 911.6	£ 690.9	£ 690.9
Liabilities carried at cost or amortised cost:					
Debt obligations	I	£ 20,718.6	£ 19,797.9	£ 19,424.0	£ 17,465.4
Loans payable – related-party (note 24)	I	8.8	8.8	25.2	25.2
Accrued liabilities	I	1,076.6	1,076.6	1,494.3	1,494.3
Trade payables and other liabilities	I	1,463.6	1,463.6	1,397.1	1,397.1
Lease obligations	I	750.8	750.8	839.3	839.3
Total		**£ 24,018.4**	**£ 23,097.7**	**£ 23,179.9**	**£ 21,221.3**

(a) Level I refers to financial assets and liabilities measured at amortised cost, Levels II and III refer to financial assets and liabilities measured at fair value through profit or loss. Inventory is measured at cost less impairment.

(b) Certain prior year amounts within the details of our trade receivables and other unbilled revenue have been reclassified to conform to the current year presentation. - see further details in note 10.

(19) Investments

Name	Country of incorporation principal place of business	Proportion of ownership interest held as of 31 December 2023
Tesco Mobile Limited	United Kingdom	50%

We account for our investments over which we exercise significant influence under the equity method in our consolidated financial statements.

The carrying amount of our equity method investment in Tesco Mobile was £11.2 million and £9.6 million as of 31 December 2023 and 2022, respectively. During the years ended 31 December 2023 and 2022, we recognised comprehensive income of £1.6 million and £0.7 million, respectively, related to this investment.

(20) Share-based Compensation

Our share-based compensation expense relates to (i) charges for share-based incentive awards associated with ordinary shares of Liberty Global and Telefónica held by certain employees of our subsidiaries and (ii) charges for incentive awards associated with the performance of the JV, under the JV's long term incentive plan, held by certain employees of our subsidiaries.

All the outstanding share-based incentive awards from Liberty Global and Telefónica will vest by the end of 2024. Share-based compensation expense allocated to our Company by Liberty Global and Telefónica is reflected as an increase to consolidated equity, offset by any amounts recharged to us, and is included within other expenses in our consolidated statements of profit or loss.

All the outstanding incentive awards for the JV long term incentive plan will vest by the end of 2024. The associated expense is included within other expenses in our consolidated statements of profit or loss.

(21) Employee Benefit Plans

VMED O2 maintains the following defined benefit and defined contribution plans for its employees:

Defined Benefit Plans:

- The defined benefit section of the Telefonica UK Pension Plan;
- The National Transcommunications Limited Pension Plan (**NTL**);
- The NTL 1999 Pension Scheme (**NTL 99**);
- Unfunded pension promises to former Telefonica UK employees; and
- Unfunded pension promises to former NTL employees, known as the Annual Compensation Payments (**ACP**) Plan.

Defined Contribution Plans:

- The Telefonica UK Pension Scheme;
- The Virgin Media Pension Plan; and
- The defined contribution section of the Telefonica UK Pension Plan

All of the defined benefit plans are closed to new entrants and further benefit accrual. The Telefonica UK Pension Scheme and the Virgin Media Pension Plan remains open to new entrants and further contributions and the employer contributions are recognised as part of our staffing costs.

Defined Benefit Plans

The defined benefit plans provide benefits based on pensionable service and the member's final pensionable salary. There are different normal retirement ages across these plans.

All of the defined benefit plans are closed to new entrants and further benefit accrual. The Telefonica UK Pension Scheme and the Virgin Media Pension Plan remain open to new entrants and further contributions and the employer contributions are recognised as part of our staffing costs.

The defined benefit plans are administered and managed by independent trustee boards on behalf of the members in accordance with the terms of the various trust deed and rules and relevant legislation (principally the Pensions Acts of 1993, 1995, 2004 and 2021). The trustee boards all include independent professional trustee directors, as well as directors nominated by both the Company and the membership

The Trustee regularly reviews the allocation of assets between different investment classes, taking into account current market conditions and trends. The allocations reflect the Trustee's views on the appropriate balance to be struck between seeking returns and incurring risk, and on the extent to which the assets should be allocated to match liabilities.

A valuation of our defined benefit plans was undertaken as of 31 December 2023 by suitably qualified independent actuaries. Our defined benefit plan assets are currently invested in a diversified range of debt securities, insurance contracts and certain other assets, which are aligned to the liability characteristics of the respective plans.

The actuarial risk that the assets invested in the plans will be insufficient to meet the expected benefits falls on the Company.

Events during the year

Section 37 court ruling

In June 2023, the High Court made a ruling in the case Virgin Media Ltd v NTL Pension Trustees II Limited (and the ruling related to Section 37 of the 1993 Pensions Act and the correct interpretation of historic legislation governing the amendment of contracted-out DB schemes). Following the Court ruling against the Company, we have chosen to appeal the judgment. A date has been set for the appeal to be heard in June 2024, and it is expected that the appeal outcome will be known during the second half of 2024. At present the Trustee of the Plan has received legal advice, which is to await the outcome of the appeal prior to implementing any changes to plan benefits. The Company considers this approach reasonable and appropriate.

Pension Buy-in

On 31 March 2023, the Trustee of the NTL 1999 Pension Scheme entered into an agreement with Aviva plc to purchase a bulk annuity insurance policy as an investment asset. Such an arrangement is commonly referred to as a "pension buy-in". The buy-in removes most of the material pension risk in respect of the NTL 99, while providing greater benefit security to the Scheme members. The buy-in premium was funded from assets of the Scheme. For some deferred members there remains a salary link to their benefits, as a result of which the Company, as well as Trustees of the scheme, are of the view that the purchase of the bulk annuity insurance policy is an investment decision. An investment loss of approximately £21m, based on the premium paid and the accounting valuation, has been recognised through OCI.

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The amounts included in our consolidated statements of financial position as of 31 December 2023 and 2022 arising from obligations related to our defined benefit plans under IAS 19 are as follows:

	31 December 2023		31 December 2022	
	Funded in millions	Unfunded in millions	Funded in millions	Unfunded in millions
Fair value of plan assets	£ 1,801.3	£ —	£ 1,824.4	£ —
Projected benefit obligation	(1,516.6)	(3.1)	(1,464.2)	(4.3)
Net asset (liability) (a)	**£ 284.7**	**£ (3.1)**	**£ 360.2**	**£ (4.3)**

(a) VMED O2 is not required to limit any pension surplus, or recognise additional pension liabilities in individual plans as economic benefits are available in the form of future refunds.

Changes in the fair value of the plan assets associated with our various funded defined benefit plans for the indicated periods are set forth below (in millions):

Balance at 1 January 2022	**£ 2,720.1**
Return on assets (excluding interest income)	(1,079.5)
Employer contributions	213.4
Benefits paid	(76.0)
Interest income	49.7
Administration costs	(3.3)
Balance at 31 December 2022	**1,824.4**
Return on assets (excluding interest income)	(40.4)
Employer contributions	1.0
Benefits paid	(64.8)
Interest income	85.5
Administration costs	(4.4)
Balance at 31 December 2023	**£ 1,801.3**

We expect to contribute £1.1 million to our defined benefit plans during the year ended 31 December 2024, with these payments relating to the expected administration costs of the NTL and NTL 99.

Changes in the present value of the projected benefit obligations associated with our various funded and unfunded defined benefit plans during the indicated periods are set forth below:

	Funded in millions	Unfunded in millions
Balance at 1 January 2022	**£ (2,351.1)**	**£ (4.5)**
Reclassification of ACP from provisions	—	(1.1)
Actuarial gain on financial assumptions	1,008.2	1.8
Benefits paid	76.0	0.3
Actuarial loss on demographic assumptions	(0.8)	—
Interest cost	(41.8)	(0.1)
Actuarial loss on expectation adjustments	(154.7)	(0.7)
Balance at 31 December 2022	**(1,464.2)**	**(4.3)**
Actuarial loss on financial assumptions	(18.7)	—
Benefits paid	64.8	2.0
Actuarial gain on demographic assumptions	21.8	—
Interest cost	(68.4)	(0.2)
Actuarial loss on experience adjustments	(51.9)	(0.6)
Balance at 31 December 2023	**£ (1,516.6)**	**£ (3.1)**

All census data from the most recent triennial valuations has been reflected within the calculation of projected benefit obligations disclosed above.

Our defined benefit plans assets as of 31 December 2023 comprise the following:

	L1		L2	L3	
	Listed in millions	Unlisted in millions	Listed in millions	Unlisted in millions	Total in millions
Cash and cash equivalents	£ 197.0	£ 53.9	£ —	£ —	£ 250.9
Cash-in-transit	—	—	—	48.1	48.1
Derivatives	—	—	(105.2)	—	(105.2)
Bonds	111.7	—	1,054.6	—	1,166.3
Private debt and equity	—	—	—	211.2	211.2
Insurance policies	—	—	—	229.1	229.1
Property	—	—	0.9	—	0.9
Total	**£ 308.7**	**£ 53.9**	**£ 950.3**	**£ 488.4**	**£ 1,801.3**

Valuation of L3 assets
The techniques used to determine the L3 asset values listed above are detailed for private debt and equity, and Insurance policies respectively.

Bonds and private debt and equity are valued using market valuations where possible. Where market valuations are not possible, assets are valued using one of the following methodologies depending on the nature of the underlying asset:

- Floating rate assets are priced at par unless the asset is impaired;
- Fixed rate assets are priced using a matrix pricing model;
- Where assets are deemed to be distressed, a decision will be made on whether the continued use of the model price is appropriate or the asset should be priced on an expected recovery basis;
- Certain debt instruments are valued using broker quotes where such quotes are available from reputable financial information providers and assessed accordingly; or
- Earnings and multiples analysis or discounted cash flow models are used for certain private debt and equity assets. Discounting inputs used can include risk free curves, credit spreads and asset premium spreads. Spreads are derived from observable baskets of assets, using credit spread matrices for corporate spreads according to currency, rating and maturity. Some filtering and calibration of the matrices is made for comparable assets.

Insurance policies are valued using the same methodology as the associated liability based on the census data included in the most recent triennial valuation, adjusted for movements in actuarial assumptions and inflation experience.

The details of the gain (loss) related to our defined benefit plans and recognised in the consolidated statements of comprehensive income (loss) are set forth below:

	Year ended 31 December			
	2023		2022	
	Funded in millions	Unfunded in millions	Funded in millions	Unfunded in millions
Return on plan assets in excess of interest income	£ (40.4)	£ —	£ (1,079.5)	£ —
Actuarial gain (loss) on demographic assumptions	21.8	—	(0.8)	—
Actuarial (loss) gain on financial assumptions	(18.7)	—	1,008.2	1.8
Actuarial loss on experience adjustments	(51.9)	(0.6)	(154.7)	(0.7)
Total gain (loss) in other comprehensive income (loss)	**£ (89.2)**	**£ (0.6)**	**£ (226.8)**	**£ 1.1**

The main assumptions, shown as a range, as adopted under IAS 19, Employee Benefits for our defined benefit plans (funded and unfunded) as of 31 December 2023 are as follows:

	Telefonica UK and Unfunded Pension Plan	NTL and Unfunded ACP	NTL 99
Life expectancy (male currently age 60/40) (in years)	87.0 / 88.5	86.9 / 88.4	86.4 / 87.9
Life expectancy (female currently age 60/40) (in years)	89.1 / 90.5	89.1 / 90.6	88.8 / 90.2
Discount rate	4.5 %	4.6 %	4.5 %
Inflation assumptions:			
RPI	3.0 %	3.1 %	3.0 %
CPI	2.5 %	2.6 %	2.5 %
Mortality base table	95% / 105% (M/F) S3NA	92% / 98% (M/F) S3PA	98% / 103% (M/F) S3PA
Mortality future improvements	Continuous Mortality Investigation (CMI)_2022 projections with long term rate of improvement of 1.25% per annum, w2022 of 25%, and an initial addition of 0.25% for each of the plans		

At 31 December 2023, the weighted average duration of the defined benefit obligation of our Telefonica UK funded and unfunded Pension Plan, NTL funded and unfunded ACP, and NTL 99 funded plans were 18, 12, and 17 years, respectively.

A reduction in the discount rate and an increase in the inflation rate will result in an increase in the assessed value of liabilities as a higher value is placed on benefits expected to be paid in the future. A rise in the discount rate and an increase in the inflation rate will result in the opposite effect of similar magnitude. There is also uncertainty around the future life expectancy of the UK population. The value of current and future pension benefits will depend on how long these pensions are assumed to be in payment.

Any sensitivity analysis may not be representative of an actual change in the defined benefit obligation as it is unlikely that changes in assumptions would occur in isolation of one another. In presenting sensitivity analysis the change in present value of defined benefit obligations has been calculated using the projected unit credit method as of 31 December 2023, which is the same as that applied in calculating the defined benefit obligation liability recognised in the statement of financial position. The rate of inflation assumption sensitivity factors in the impact of changes to all assumptions relating to inflation (RPI) including associated pension increase assumption. The following sensitivity analysis table summarises how a reasonably possible change in particular assumptions would, in isolation, result in an increase to the defined benefit obligation as of 31 December 2023 (in millions):

Decrease discount rate by 0.25%	£	56.5
Increase inflation rate by 0.25%	£	45.9
Increase life expectancy by 1 year	£	34.6

As of 31 December 2023, the expected future benefit payments from the plans are:

		Funded in millions		Unfunded in millions
Year ending 31 December:				
2024	£	66.5	£	0.2
2025		68.2		0.2
2026		70.1		0.2
2027		71.8		0.2
2028		73.7		0.2
Thereafter		2,957.0		5.0
Total	**£**	**3,307.3**	**£**	**6.0**

Defined Contribution Plans

The defined contribution plans provide post-employment benefits. Individual accounts are set up for each member and benefits are based on the fund value held in the account, which is based on the amounts paid into a member's account (both employer and employee contributions) as well as any investment return earned on these contributions. Under defined contribution plans the Company's legal or constructive obligation is limited to the amount that it agrees to contribute to the plan.

The expense related to defined contribution plans is equal to the contributions payable for the corresponding period. The expense included in our consolidated statements of comprehensive income for the years ended 31 December 2023 and 2022 was £75.9 million and £67.1 million, respectively.

The Telefonica UK Pension Scheme and the defined contribution section of the Telefonica UK Pension Plan are administered and managed by independent trustee boards on behalf of the members in accordance with these plans governing documentation and relevant legislation.

The Virgin Media Pension Plan is a contract based scheme and the Company has appointed Fidelity to administer and manage the plan, which is regulated by the FCA. The Company has established its own governance committee which meets at least twice a year to review the performance of Fidelity across a number of measures including administration and investment performance.

(22) Finance Costs and Income

A summary of the finance costs and income that are included in our net finance (costs) income is set forth below:

	Year ended 31 December	
	2023	**2022**
	in millions	**in millions**
Finance costs:		
Interest expense	£ (1,274.0)	£ (868.0)
Realised and unrealised losses on derivative instruments	(1,138.9)	(1,264.4)
Foreign currency transaction losses	(412.1)	(1,890.7)
Losses on debt extinguishment	(4.0)	—
Total finance costs	**(2,829.0)**	**(4,023.1)**
Finance income:		
Interest income	613.2	350.1
Realised and unrealised gains on derivative instruments	334.9	3,452.6
Foreign currency transaction gains	1,003.8	787.2
Gains on debt extinguishment	13.7	—
Total finance income	**1,965.6**	**4,589.9**
Net finance (costs) income	**£ (863.4)**	**£ 566.8**

(23) Income Taxes

VMED O2 files its primary income tax return in the UK and our subsidiaries file income tax returns in the UK and the US. The major components of our income tax (expense) benefit are as follows:

	Year ended 31 December	
	2023	**2022**
	in millions	**in millions**
Current tax benefit:		
Current year	£ (12.7)	£ (21.5)
Recognition of previously unrecognised tax benefits	12.8	51.2
Adjustments for previous years	0.4	15.4
Total current year benefit	**0.5**	**45.1**
Deferred tax benefit (expense):		
Origination and reversal of temporary differences and tax losses	183.4	(7.7)
Adjustments for previous years	31.2	16.9
Change in UK statutory tax rate	12.0	(61.5)
Recognition of previously unrecognised tax benefits	2.8	—
Total deferred tax benefit (expense)	**229.4**	**(52.3)**
Total income tax benefit (expense)	**£ 229.9**	**£ (7.2)**

During the year ended 31 December 2023 and 2022, deferred tax benefits of £20.4 million and £55.2 million, respectively, were recorded in other comprehensive income.

Income tax (expense) benefit attributable to our profit (loss) before income taxes differs from the amount computed using the UK corporate income tax rate as a result of the following factors:

	Year ended 31 December	
	2023	2022
	in millions	in millions
(Loss) profit before income taxes	**£ (3,305.1)**	**£ 760.8**
Computed "expected" tax benefit (expense) [(a)]	**£ 776.7**	**£ (144.6)**
Group relief claimed for nil consideration [(b)]	133.2	62.4
Non-deductible goodwill impairment	(730.1)	—
Fixed asset differences [(c)]	6.5	78.3
Impact of changes in tax rates on deferred tax assets and liabilities	12.0	(61.5)
Adjustment relating to prior years	31.6	32.3
Expenses not deductible for tax purposes	(7.2)	(15.1)
Foreign taxes	7.6	32.6
Other	(0.4)	8.4
Total income tax benefit (expense)	**£ 229.9**	**£ (7.2)**

(a) The statutory or "expected" tax rates are the UK blended statutory rate of 23.5% for 2023 and the UK statutory rate of 19.0% for 2022. The UK corporate income tax rate increased from 19.0% to 25.0% from 1 April 2023. The effect of the increased tax rate is reflected in our disclosure of deferred at at 31 December 2023.
(b) Group relief for no consideration relates to group relief claimed from VMED O2 UK Limited.
(c) Fixed asset differences includes the impact of the UK "super-deduction" which provides a permanent tax benefit for the cost of qualifying capital expenditures as well as accelerating tax allowances on expenditure up to 31 March 2023.

The tax effects of temporary differences that give rise to significant portions of our deferred tax assets and liabilities are presented in the tables below:

	1 January 2023	Recognised in profit or loss	Recognised in other comprehensive income (loss)	31 December 2023
	in millions	in millions	in millions	in millions
Property, plant and equipment	£ 1,641.9	£ (71.1)	£ —	£ 1,570.8
Intangible assets	(1,590.5)	202.4	—	(1,388.1)
Tax losses	217.8	5.5	—	223.3
Pensions	(86.7)	(3.4)	21.5	(68.6)
Other	(114.1)	96.0	(1.1)	(19.2)
Deferred tax asset (liability)	**£ 68.4**	**£ 229.4**	**£ 20.4**	**£ 318.2**

	1 January 2022	Recognised in profit or loss	Recognised in other comprehensive income (loss)	31 December 2022
	in millions	in millions	in millions	in millions
Property, plant and equipment	£ 1,549.0	£ 92.9	£ —	£ 1,641.9
Intangible assets	(1,757.5)	167.0	—	(1,590.5)
Tax losses	210.1	7.7	—	217.8
Pensions	(88.8)	(51.0)	53.1	(86.7)
Other	152.7	(268.9)	2.1	(114.1)
Deferred tax asset (liability)	**£ 65.5**	**£ (52.3)**	**£ 55.2**	**£ 68.4**

Our recognised deferred tax balances as of 31 December 2023 and 2022 are set forth below:

	31 December 2023		31 December 2022	
	Deferred tax assets in millions	Deferred tax liabilities in millions	Deferred tax assets in millions	Deferred tax liabilities in millions
Property, plant and equipment	£ 1,570.8	£ —	£ 1,641.9	£ —
Intangible assets	—	(1,388.1)	—	(1,590.5)
Tax losses	223.3	—	217.8	—
Pensions	—	(68.6)	—	(86.7)
Other	78.2	(97.4)	86.2	(200.3)
Deferred tax asset (liability)	**1,872.3**	**(1,554.1)**	**1,945.9**	**(1,877.5)**
Offset between deferred tax assets and liabilities	(1,554.1)	1,554.1	(1,876.5)	1,876.5
Net deferred tax asset (liability)	**£ 318.2**	**£ —**	**£ 69.4**	**£ (1.0)**

Where there is a right and ability to offset deferred tax balances, the position is presented net in our consolidated statements of financial position.

We have recognised a total net deferred tax asset (DTA) of £318.2 million for the year ended 31 December 2023. Of this, the largest component relates to property plant and equipment (PPE) arising from historically claiming tax deductions (capital allowances) at a lower rate than the accounting depreciation on the assets, offset by a liability on PPA intangible assets. We have reviewed the financial forecasts as described in note 9, and based on these and our expectations of the business we believe it is probable that the DTA will be fully utilised. We forecast that the DTA arising from PPE will have substantially all unwound within 20 years. This relatively long unwind period is the result of limitations on the maximum annual utilisation of capital allowances in the UK. We forecast that the business will have generated cumulative taxable profits that would, in the absence of these limitations, fully absorb the DTA within 10 years.

Our gross unrecognised deferred tax assets and tax loss carryforwards as of 31 December 2023 are as follows:

	31 December	
	2023 in millions	2022 in millions
Capital losses	£ 12,101.6	£ 12,101.6
Tax losses	29.4	29.4
Deductible temporary differences	117.1	325.4
Total	**£ 12,248.1**	**£ 12,456.4**

These deductible temporary differences and tax loss carry forwards are not subject to expiration. The use of the items above is highly restricted and they may only be offset against certain limited types of gains or profits. It is not regarded as probable that such gains or profits will arise.

We have taxable temporary differences on certain investments in subsidiaries. No additional income taxes have been provided for unremitted earnings, or any additional temporary differences associated with investments in subsidiaries, because the Company is in a position to control the timing of the reversal of the temporary differences and it is probable that such differences will not reverse in the foreseeable future. It is not practicable to estimate the amount of unrecognised deferred tax liabilities in respect of these temporary differences.

In the normal course of business, our income tax filings are subject to review by UK and US taxing authorities. In connection with such reviews, disputes could arise with the taxing authorities over the interpretation or application of certain income tax rules related to our business in these tax jurisdictions. Such disputes may result in future tax and interest and penalty assessments by these taxing authorities.

As of 31 December 2023 and 2022, we recorded provisions for uncertain tax positions of £6.5 million and £20.5 million, respectively. The ultimate resolution of tax contingencies will take place upon the earlier of (i) the settlement date with the applicable taxing authorities in either cash or agreement of income tax positions or (ii) the date when the tax authorities are statutorily prohibited from adjusting the Company's tax computations.

On 16 August 2022, the Inflation Reduction Act was signed into law in the US. Although this legislation does not increase the US corporate income tax rate, it includes, among other provisions, a new 15.0% corporate alternative minimum tax (**CAMT**) on "adjusted financial statement income" that is effective for tax years beginning after 31 December 2022. CAMT did not have an impact on our consolidated financial statements for the year ended 31 December 2023. We will continue to monitor additional guidance as it is issued to assess the impact to our tax position.

On 20 June 2023, Finance (No.2) Act 2023 was substantively enacted in the UK, introducing a global minimum effective tax rate of 15.0%. The legislation was enacted on 11 July 2023. The legislation implements a domestic top-up tax and a multinational top-up tax, effective for accounting periods starting on or after 31 December 2023. We do not currently anticipate that this legislation will have a material impact on our financial statements, but we will continue to monitor future legislation and any additional guidance that is issued.

(24) Related-party Transactions

Our significant related-party agreements are set forth below.

Shareholders Agreement

We are a wholly-owned subsidiary of VMED O2 UK Limited. In connection with the JV Transaction, on 1 June 2021, Liberty Global and Telefónica entered into a shareholders agreement (the Shareholders Agreement). Each Shareholder holds 50% of the issued share capital of VMED O2 UK Limited. The Shareholders Agreement contains customary provisions for the governance of a 50:50 joint venture that result in Liberty Global and Telefónica having joint control over decision making with respect to the Joint Venture and each Shareholder has the right to initiate an initial public offering after the third anniversary of the closing.

The Shareholders Agreement also provides (i) for a dividend policy that requires VMED O2 UK Limited, subject to certain exceptions, to distribute all unrestricted cash to the Shareholders as soon as reasonably practicable following each quarterly period (subject to our Company maintaining a minimum amount of cash and complying with the terms of our financing arrangements) and (ii) that VMED O2 UK Limited will be managed with a leverage ratio between 4.0 and 5.0 times EBITDA (as defined in the Shareholders Agreement), including the completion of periodic recapitalisations and/or refinancings.

Charges for JV Services - Framework Services Agreements

Pursuant to the framework services agreements (collectively, the JV Service Agreements) entered into in connection with the closing of the JV Transaction, Liberty Global and Telefónica charge VMED O2 UK Limited fees, which our parent passes through, for certain services provided to us by the Shareholders and their respective subsidiaries (collectively, the JV Services). The JV Services are provided to us on a transitional or ongoing basis. Pursuant to the terms of the JV Service Agreements, both the ongoing services and transitional services are provided for specified terms from the 1 June 2021 formation of the Joint Venture. The JV Services provided by the Shareholders and their respective subsidiaries consist primarily of (i) technology and other services, (ii) capital-related expenditures for assets that we use or otherwise benefit us, (iii) brand name and procurement fees and (iv) certain corporate services. The fees that Liberty Global and Telefónica charge us for the JV Services, as set forth in the table below, include both fixed and usage-based fees.

Fibre Joint Venture Agreements

In December 2022, Liberty Global and Telefónica, along with investment firm InfraVia Capital Partners, formed a new fibre joint venture to build a wholesale FTTH network in the UK under the brand name nexfibre. nexfibre is rolling out fibre to 5 million greenfield homes not currently served by VMED O2's network by 2026, with the option to expand to an additional 2 million greenfield homes. VMED O2 is an anchor tenant of the new network, extending its total fibre footprint to up to 23 million homes, as well as providing its well-established network expansion expertise, systems and relationships to nexfibre, including construction, IT, technology and corporate services.

All related-party transactions relate to regular trading activities of our Company and are on an arm's length basis. Our related-party transactions consist of the following:

	Year ended 31 December	
	2023 in millions	**2022 in millions**
Credits (charges) included in:		
Revenue	£ 903.3	£ 291.1
Cost of sales	(1.4)	(2.7)
Other expenses	(259.6)	(301.9)
Share-based compensation expense	(15.5)	(25.6)
Included in operating (loss) profit	**626.8**	**(39.1)**
Interest income	589.7	333.7
Interest expense	(10.3)	(10.5)
Included in net (loss) profit	**£ 1,206.2**	**£ 284.1**
Property, plant and equipment transfers, net	**£ 5.2**	**£ 3.6**

Revenue. Amounts primarily consist of our charges to nexfibre, charges to the Tesco Mobile Limited (**Tesco Mobile**) joint venture, commissions from Telefónica for handset insurance policy sales and to a lesser extent, roaming charges to Telefónica.

Cost of sales. Amounts primarily consist of interconnect, roaming, lease and access fees and other services provided to us by certain subsidiaries of Liberty Global and Telefónica.

Other expenses. Amounts primarily consist of support function staffing, network and technology services provided to us by certain subsidiaries of Liberty Global and Telefónica, as well as brand and licensing fees payable to Telefónica for use of the "O2", "O2 Refresh" and "Priority" brands.

Share-based compensation expense. Amounts relate to charges for share-based incentive awards held by certain employees of our subsidiaries associated with ordinary shares of Liberty Global and Telefónica. Such awards were granted to employees prior to the closing of the JV Transaction. Share-based compensation expense is included in other expenses in our consolidated statements of profit or loss.

Interest expense. Amounts represent interest expense on non-current related-party debt, as further described above.

Interest income. Amounts primarily represent interest accrued on the VMED O2 UK Limited Receivable (as defined above).

Property, plant and equipment transfers, net. Amounts primarily represent net transfers with certain Liberty Global subsidiaries and associates.

The following table provides details of our related-party balances:

	31 December 2023 in millions		31 December 2022 in millions	
Assets:				
Non-current receivables [a]	£	13,539.5	£	10,807.4
Trade receivables [b]		75.5		75.3
Other current receivables [c]		241.2		26.0
Total	£	13,856.2	£	10,908.7
Liabilities:				
Lease obligations [d]	£	108.5	£	105.8
Related-party debt [e]		8.8		25.2
Accounts payable [f]		225.3		188.4
Accrued and other liabilities [f]		91.0		71.0
Total	£	433.6	£	390.4

(a) Amounts represent interest-bearing loan receivables due from VMED O2 UK Limited (the **VMED O2 UK Limited Receivables**), which for the year ended 31 December 2023 and 2022 bear interest at a weighted average rate of 6.2% and 4.8%, respectively.
(b) Amounts primarily relate to trade receivables arising from our charges to Tesco Mobile.
(c) Amounts primarily relate to non-interest bearing receivables due from VMED O2 UK Limited and from certain Liberty Global and Telefónica subsidiaries, and accrued income from nexfibre.
(d) Amounts represent lease obligations with certain Liberty Global subsidiaries and associates.
(e) Amounts represent interest-bearing loans due to VMED O2 UK Limited, which bear interest at a rate of 4.4% and mature on 18 December 2025.
(f) Amounts represent both non-interest and interest-bearing payables, accrued capital expenditures and other accrued liabilities related to transactions with VMED O2 UK Limited and certain Liberty Global and Telefónica subsidiaries and associates, which are periodically cash settled.

(25) Reconciliation of Movements in Liabilities to Cash Flows from Financing Activities

	Debt and lease obligations in millions	Derivative (assets) liabilities in millions	Total in millions
1 January 2023	**£ 20,288.5**	**£ (1,372.1)**	**£ 18,916.4**
Cash flows from financing activities:			
Repayments of third-party debt and lease obligations:			
Principal payments on operating-related vendor financing	(1,894.6)	—	(1,894.6)
Debt (excluding vendor financing)	(2,120.2)	—	(2,120.2)
Principal payments on capital-related vendor financing	(916.6)	—	(916.6)
Principal payments on leases	(219.1)	—	(219.1)
Borrowings of third-party debt	3,470.2	—	3,470.2
Operating-related vendor financing additions	2,509.9	—	2,509.9
Net repayments of related-party debt	(17.0)	—	(17.0)
Payment of financing costs and debt premiums	(15.3)	—	(15.3)
Net cash paid related to derivative instruments	—	(9.1)	(9.1)
Other financing activities, net	(0.4)	—	(0.4)
Total cash flows from financing activities	**796.9**	**(9.1)**	**787.8**
Gains on debt extinguishment	(9.7)	—	(9.7)
Realised and unrealised losses on derivative instruments, net	—	804.0	804.0
Interest accruals	29.6	—	29.6
Assets acquired under vendor financing arrangements, including VAT	849.3	—	849.3
Assets acquired under leases	117.5	—	117.5
Effect of changes in foreign exchange rates	(572.0)	—	(572.0)
Proceeds from interest-related derivatives	—	242.9	242.9
Other liability-related changes	(21.9)	—	(21.9)
31 December 2023	**£ 21,478.2**	**£ (334.3)**	**£ 21,143.9**

(26) Capital and Reserves

Share Capital

	31 December 2023	31 December 2022
Called up, allotted and fully paid:		
Ordinary shares of £1 each	3	3

APIC

APIC includes share premium (£28,700.0 million) adjusted for group reconstruction relief (£7,926.2 million), resulting from the September 2021 Transactions (see note 3). Whereby, VMED O2 UK Limited made a contribution to VMED O2 UK Holdings Limited comprising VMED O2 UK Limited's then ownership interests in (i) Virgin Media and (ii) certain other entities, including O2 Holdings Limited (the parent company of O2), in return for two £1 ordinary shares of VMED O2 UK Holdings Limited, issued at a premium of £14,350.0 million each.

Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss includes the pension reserve and translation reserve. The translation reserve is used to record cumulative translation differences on the net assets of foreign operations. The cumulative translation differences will be recycled to the consolidated statements of profit or loss upon disposal of the foreign operations.

Accumulated Profit

Accumulated profit records the Group's retained profit or loss.

Other Reserves

Other reserves includes £212.5 million excess consideration over NBV, resulting from the sale of a minority stake in CTIL (see note 27).

(27) Non-controlling Interests (NCI)

On 15 November 2023, we sold a 16.67% minority stake in CTIL to the UK-based infrastructure fund GLIL for which we received £359.5 million as cash consideration. The sale was structured through VMED O2 Networks Limited, a subsidiary undertaking of VMED O2, which continues to own the 50% share of CTIL. GLIL purchased 33.3% of VMED O2 Networks Limited with VMED O2 owning the remaining 66.7%. VMED O2 continues to proportionally consolidate VMED O2 Networks Limited, but recognises a non-controlling interest for the proportion of VMED O2 Networks Limited's consolidated results attributable to GLIL.

CTIL remains a critical supplier to VMED O2, and this transaction will not impact the existing commercial network sharing agreement between Vodafone and VMED O2, which sees the two companies share radio equipment across certain areas of the country.

The following table summarises VMED O2's interest in VMED O2 Networks Limited and the relevant non-controlling interest:

		31 December 2023
		In millions
Non-current assets	£	1,067.9
Current assets		125.60
Non-current liabilities		(559.0)
Current liabilities		(194.3)
Net assets	**£**	**440.2**
Net assets attributable to non-controlling interest	£	146.6

		Period from 15 November 2023 - 31 December 2023
		In millions
Revenue	£	11.0
Net loss	**£**	**(1.1)**
Net loss attributable to non-controlling interest	£	(0.4)

(28) Commitments and Contingencies

Commitments

In the normal course of business, we have entered into agreements that commit our Company to make cash payments in future periods with respect to programming contracts, network and connectivity commitments, JV service agreements, purchases of customer premise and other equipment and services and other items. The following table sets forth the pound sterling equivalents of such commitments as of 31 December 2023. The commitments included in this table do not reflect any liabilities that are included in our 31 December 2023 consolidated statement of financial position.

	Payments due during						
	2024	2025	2026	2027	2028	Thereafter	Total
	in millions	in millions	in millions	in millions	in millions	in millions	in millions
Programming commitments (a)	£ 551.9	£ 402.3	£ 396.3	£ 377.8	£ 186.0	£ —	£ 1,914.3
Network and connectivity commitments (b)	931.5	138.8	54.9	20.4	11.9	175.3	1,332.8
JV Service Agreements (c)	183.8	187.9	192.1	179.5	171.7	251.7	1,166.7
Purchase commitments (d)	577.3	196.6	105.6	92.7	81.8	37.8	1,091.8
Other commitments	112.2	41.6	26.4	21.3	14.2	—	215.7
Total	**£ 2,356.7**	**£ 967.2**	**£ 775.3**	**£ 691.7**	**£ 465.6**	**£ 464.8**	**£ 5,721.3**

(a) Programming commitments consist of obligations associated with certain of our programming contracts that are enforceable and legally binding on us as we have agreed to pay minimum fees without regard to (i) the actual number of subscribers to the programming services or (ii) whether we terminate service to a portion of our subscribers or dispose of a portion of our distribution systems. Programming commitments do not include increases in future periods associated with contractual inflation or other price adjustments that are not fixed. Accordingly, the amounts reflected in the above table with respect to these contracts are significantly less than the amounts we expect to pay in these periods under these contracts. Historically, payments to programming vendors have represented a significant portion of our operating costs, and we expect this will continue to be the case in future periods.

(b) Network and connectivity commitments include (i) service commitments associated with the nexfibre construction programme (see below for further details), (ii) commitments associated with VMED O2's full fibre upgrade and (iii) commitments associated with our MVNO agreements. The amounts reflected in the above table with respect to certain of our MVNO commitments represent fixed minimum amounts payable under these agreements and, therefore, may be significantly less than the actual amounts we ultimately pay in these periods. The migration of Virgin Mobile customer plans to O2 commenced in March 2023 and was completed by the end of the year.

(c) Pursuant to the JV Service Agreements entered into in connection with the closing of the JV Transaction, Liberty Global and Telefónica charge VMED O2 UK Limited fees, which our parent passes through, for JV Services. The JV Services are provided to us on a transitional or ongoing basis. Pursuant to the terms of the JV Service Agreements, both the ongoing services and transitional services are provided for specified terms from the 1 June 2021 formation of VMED O2 UK Limited. The JV Services provided by the Shareholders and their respective subsidiaries consist primarily of (i) technology and other services, (ii) capital-related expenditures for assets that we use or otherwise benefit us, (iii) brand name and procurement fees and (iv) certain corporate services. The amounts set forth in the table above represent fixed minimum charges from Liberty Global and Telefónica pursuant to the JV Service Agreements. In addition to the fixed minimum charges, the JV Service Agreements provide for certain JV Services to be charged to us based upon usage of the services received. The fixed minimum charges set forth in the table above exclude fees for the usage-based services as these fees will vary from period to period. Accordingly, we expect to incur charges in addition to those set forth in the table above for usage-based services.

(d) Purchase commitments include unconditional and legally binding obligations related to (i) the purchase of customer premise and other equipment and (ii) certain service-related commitments, including call centre, information technology and maintenance services.

In addition to the commitments set forth in the table above, we have significant commitments under derivative instruments. For information regarding our derivative instruments, including the net cash paid or received in connection with these instruments, see note 17.

Guarantees and Other Credit Enhancements

In the ordinary course of business, we may provide (i) indemnifications to our lenders, our vendors and certain other parties and (ii) performance and financial guarantees to local municipalities, our customers and vendors. Historically, these arrangements have not resulted in our Company making any material payments and we do not believe that they will result in material payments in the future.

Legal and Regulatory Proceedings and Other Contingencies

Disclosure Requests. O2 has been addressing a request for disclosure made by governmental authorities related to possible violations of anti-bribery laws and regulations. O2 continues to co-operate with the governmental authorities investigating this matter, which is still ongoing. It is not possible at this time to predict the full scope or duration of this matter or its eventual outcome.

Phones 4u. Legal proceedings were issued in the High Court against O2 by the Administrators of Phones 4u. The trial of this case in the High Court took place in Spring / Summer 2022. Judgment was handed down in November 2023. The Court rejected all of Phones4u's claims. Phones4u are now applying to the Court of Appeal for permission to appeal the First Instance decision. The Court of Appeal's decision on this permission application is pending.

Class action regarding alleged combined handset and airtime charges overpayment. In December 2023 we received a claim brought against Telefonica UK by an individual acting as a proposed class representative. The same individual is bringing similar claims against the other three mobile network operators. These claims are brought in the Competition Appeal Tribunal. It is alleged in these claims that customers with combined handset and airtime contracts have been overcharged when their handset minimum term contract expired. The claimant assesses the value of the claim against Telefonica UK at £256.0 million and as against the four mobile network operators at £3.3 billion. Discussions regarding the claims are preliminary and there are various procedural stages to be completed before the matter may proceed. We intend to vigorously defend this matter.

Other Regulatory Matters. Mobile, broadband internet, video and fixed-line telephony businesses are subject to significant regulation and supervision by various regulatory bodies in the UK. Adverse regulatory developments could subject our businesses to a number of risks. Regulation, including conditions imposed on us by competition or other authorities as a requirement to close acquisitions or dispositions, could limit growth, revenue and the number and types of services offered and could lead to increased operating costs and property, plant and equipment additions. In addition, regulation may also restrict our operations and subject them to further competitive pressure, including pricing restrictions, interconnect and other access obligations, and restrictions or controls on content, including content provided by third parties. Failure to comply with current or future regulation could expose our businesses to various penalties.

In addition to the foregoing items, we may have contingent liabilities related to matters arising in the ordinary course of business including (i) legal proceedings, (ii) issues involving VAT and employment, property, withholding and other tax issues and (iii) disputes over interconnection, programming, copyright and channel carriage fees. While we generally expect that the amounts required to satisfy these contingencies will not materially differ from any estimated amounts we have accrued, no assurance can be given that the resolution of one or more of these contingencies will not result in a material impact on our results of operations, cash flows or financial position in any given period. Due, in general, to the complexity of the issues involved and, in certain cases, the lack of a clear basis for predicting outcomes, we cannot provide a meaningful range of potential losses or cash outflows that might result from any unfavourable outcomes.

(29) Principal Subsidiary Undertakings

Investments in which the Group held at least 20% of the nominal value of any class of share capital, all of which are unlisted, are as follows. All companies are registered in England and Wales, unless otherwise noted.

Direct Shareholdings

Name of company	Company number	Holdings	Proportion held
Upp Corporation Limited	12442219	Ordinary	100 %
Virgin Media Inc.	N/A [(a)]	Common Stock	100 %
VMED O2 UK Financing I plc	12800739 [(b)]	Ordinary	100 %
VMED O2 UK Holdco 1 Limited	12800546 [(b)]	Ordinary	100 %

Indirect Shareholdings

Name of company	Company number		Holdings	Proportion held
Birmingham Cable Limited	2244565		Ordinary	100 %
Bitbuzz UK Limited	8178308		Ordinary	100 %
CableTel Herts and Beds Limited	1785533		Ordinary	100 %
CableTel Northern Ireland Limited	NI029131	(c)	Ordinary	100 %
CableTel Surrey and Hampshire Limited	2740651		Ordinary	100 %
Cellular Radio Limited	1612599		Ordinary	100 %
DX Communications Limited	SC133682	(d)	Ordinary	100 %
Eurobell (Holdings) Limited	2904215		Ordinary	100 %
Flextech Limited	2688411		Ordinary	100 %
General Cable Limited	4925679		Ordinary	100 %
giffgaff Limited	4196996		Ordinary	100 %
ntl (B) Limited	2735732		Ordinary	100 %
ntl (BCM Plan) Pension Trustees Limited	4342230		Ordinary	100 %
ntl (South East) Limited	1870928		Ordinary	100 %
ntl (V)	2719474		Ordinary	100 %
ntl Business Limited	3076222		Ordinary	100 %
ntl CableComms Group Limited	3024703		Ordinary	100 %
NTL CableComms Group LLC	N/A	(a)	Common Interest Units	100 %
ntl Communications Services Limited	3403985		New Ordinary	100 %
ntl Glasgow	SC075177	(e)	Ordinary and Ordinary B	100 %
ntl Glasgow Holdings Limited	4170072		Ordinary	100 %
ntl Kirklees	2495460		Ordinary	100 %
ntl Kirklees Holdings Limited	4169826		Ordinary	100 %
ntl Midlands Limited	2357645		Ordinary	100 %
ntl Pension Trustees II Limited	11258264		Ordinary	100 %
ntl Pension Trustees Limited	3771014		Ordinary	100 %
ntl Rectangle Limited	4329656		Ordinary	100 %
ntl South Central Limited	2387692		Ordinary	100 %
ntl Telecom Services Limited	2937788		Ordinary	100 %
ntl Trustees Limited	2702219		Ordinary	100 %
O2 Cedar Limited	4678681		Ordinary	100 %
O2 Communications Limited	4271548		Ordinary	100 %
O2 Holdings Limited	2604354		Ordinary	100 %
O2 Networks Limited	2604351		Ordinary	100 %
O2 Redwood Limited	2383186		Ordinary	100 %
O2 Unify Limited	7999361		Ordinary	100 %
Statiq Limited	8702435		Ordinary	100 %
Telefonica Cybersecurity Tech UK Limited	12490724		Ordinary	100 %
Telefonica Europe People Services Limited	486438	(f)	Ordinary	100 %
Telefonica UK Limited	1743099		Ordinary A and Ordinary B	100 %
Telefonica UK Pension Trustee Limited	4267552		Ordinary	100 %
Telewest Communications (Scotland) Limited	SC080891	(e)	Ordinary	100 %

Name of company	Company number		Holdings	Proportion held
Telewest Communications Cable Limited	2883742		Ordinary	100 %
Telewest Communications Networks Limited	3071086		Ordinary	100 %
Telewest Limited	3291383		Ordinary	100 %
The Mobile Phone Store Limited	2837875		Ordinary	100 %
Theseus No.1 Limited	2994027		Ordinary	100 %
Theseus No.2 Limited	2994061		Ordinary	100 %
Virgin Media Bristol LLC	N/A	(a)	Common Membership Interests	100 %
Virgin Media Business Limited	1785381		Ordinary	100 %
Virgin Media Communications Limited	3521915		Ordinary	100 %
Virgin Media Finance Holdings Inc.	N/A	(a)	Common Stock	100 %
Virgin Media Finance PLC	5061787		Ordinary	100 %
Virgin Media Finco 2 Limited	12581419		Ordinary	100 %
Virgin Media Finco Limited	8045612		Ordinary	100 %
Virgin Media Intermediary Purchaser Limited	13047371		Ordinary	100 %
Virgin Media Investment Holdings Limited	3173552		Ordinary	100 %
Virgin Media Investments Limited	7108297		Ordinary	100 %
Virgin Media Limited	2591237		Ordinary and New Ordinary	100 %
Virgin Media Mobile Finance Limited	9058868		Ordinary	100 %
Virgin Media National Networks Limited	5174655		Ordinary	100 %
Virgin Media O2 Employee Medical Trust Limited	5993968		Ordinary	100 %
Virgin Media Operations Limited	11118162		Ordinary	100 %
Virgin Media Payments Limited	6024812		Ordinary	100 %
Virgin Media PCHC Limited	1733724		Ordinary	100 %
Virgin Media Secretaries Limited	2857052		Ordinary	100 %
Virgin Media Secured Finance PLC	7108352		Ordinary	100 %
Virgin Media Senior Investments Limited	10362628		Ordinary	100 %
Virgin Media SFA Finance Limited	7176280		Ordinary	100 %
Virgin Media Trade Receivables Intermediary Financing Limited	12552094		Ordinary	100 %
Virgin Media Wholesale Limited	2514287		Ordinary	100 %
Virgin Mobile Telecoms Limited	3707664		Ordinary	100 %
Virgin WiFi Limited	4414701		Ordinary	100 %
VM Transfers (No 4) Limited	2369824		Ordinary	100 %
VMED O2 Networks Limited	14907010		Ordinary	67 %
VMED O2 Secretaries Limited	4272689		Ordinary	100 %

Name of company	Company number	Holdings	Proportion held
VMED O2 UK Financing II plc	12804417 (b)	Ordinary	100 %
VMED O2 UK Holdco 3 Limited	12807077 (b)	Ordinary	100 %
VMED O2 UK Holdco 4 Limited	12809596 (b)	Ordinary	100 %
VMED O2 UK Holdco 5 Limited	15016818	Ordinary	100 %
Weve Limited	8178832	Telefonica A B Shares	100 %
Yorkshire Cable Communications Limited	2490136	Ordinary	100 %

Investments in Joint Ventures and Associates

Name of company	Company number	Holdings	Proportion held
Cornerstone Telecommunications Infrastructure Limited	8087551 (g)	Ordinary	50 %
Digital Mobile Spectrum Limited	8247385 (h)	Ordinary	25 %
Internet Matters Limited (1)	8822801 (i)	Limited by guarantee	25 %
Tesco Mobile Limited	4780736 (j)	Ordinary	50 %
Travel Technology Initiative Limited (1)	2398368 (k)	Ordinary	14 %

(1) Investment carrying values are nil and thus excluded from note 19.

All companies are registered at 500 Brook Drive, Reading, RG2 6UU, unless otherwise noted below.

(a) 1550 Wewatta Street, Suite 1000, Denver, CO 80202
(b) Griffin House, 161 Hammersmith Road, London W6 8BS
(c) Unit 3, Blackstaff Road, Kennedy Way Industrial Estate, Belfast, BT11 9AP
(d) The Ca'D'Ore, 45 Gordon Street, Glasgow, G1 3PE
(e) 1 South Gyle Crescent Lane, Edinburgh, EH12 9EG
(f) 13-18 City Quay, Dublin, Dublin 2, D02 ED70
(g) Hive 2, 1530 Arlington Business Park, Theale, Berkshire, RG7 4SA
(h) 24 - 25 The Shard, 32 London Bridge Street, London SE1 9SG
(i) One London Wall, 6th Floor, London EC2Y 5EB
(j) Shire Park, Welwyn Garden City, Hertfordshire, AL7 1GA
(k) 8th Floor Becket House, 36 Old Jewry, London, England, EC2R 8DD

(30) Parent Undertaking and Controlling Party

The Company's immediate and ultimate parent undertaking is VMED O2 UK Limited.

(31) Subsequent Events

In January 2024, we drew down €20.0 million under Term Loan Z. The proceeds will be used for refinancing.

In January 2024, we utilised the Revolving Facility, drawing down an aggregate amount of £360.0 million. £260.0 million of which was subsequently repaid in February and March 2024.

In February, we reduced our 2026 tranche of the Revolving Facility by £54.2 million.

In March 2024, certain lenders under Term Loan X extended the maturity of their commitments to 30 September, 2029. This was effected by way of such lenders under Term Loan X converting their respective commitments in Term Loan X into commitments under a new Term Loan X1. The residual principal amount of commitments remaining in Term Loan X is £283.7 million and the principal amount of Term Loan X1 is £750.0 million (which includes additional borrowing of £33.7 million). The additional proceeds, £33.7 million, will be used for refinancing.

(32) Alternative Performance Measures

VMED O2 use various non-IFRS financial measures to evaluate growth trends, assess operational performance and monitor cash performance. We consider that these measures enable investors to understand the ongoing operations of the business. They are used by management to monitor financial performance as it is considered to aid comparability of the financial performance from year to year.

These APMs should not be viewed as a complete picture of VMED O2's financial performance which is presented in the reported results. The exclusion of certain items may result in a more favourable view when costs such as depreciation and amortisation, costs to capture (CTC), restructuring and other operating expenses are excluded. These measures may not be comparable when reviewing similar measures reported by other companies.

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 the purposes of annual and other incentive compensation plans. Adjusted EBITDA is defined as profit (loss) from continuing operations before net income tax (expense) benefit, other non-operating income or expenses, share of results of investments accounted for by the equity method, net finance income (costs), depreciation and amortisation, share-based compensation, impairment, restructuring and other operating items and CTC operating expenses. Share-based compensation for the purposes of calculating Adjusted EBITDA also includes awards granted to VMED O2 employees that are settled with Liberty Global or Telefónica shares. Opex CTC generally include incremental, third-party operating costs that are directly associated with integration activities, restructuring activities and certain other costs associated with aligning our business processes to derive synergies. See the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section for a reconciliation to the closest equivalent statutory measure, operating profit.

	Year ended 31 December			
		2023		2022
		in millions		in millions
Operating (loss) profit	£	(2,457.2)	£	196.9
Restructuring and other operating expenses		132.2		62.6
Goodwill impairment		3,107.0		—
Share-based compensation expense		24.9		43.6
Depreciation and amortisation		3,205.2		3,553.9
Opex CTC		83.9		74.6
Adjusted EBITDA	**£**	**4,096.0**	**£**	**3,931.6**

Transaction Adjusted Revenue and Transaction Adjusted EBITDA

Transaction Adjusted Revenue and Transaction Adjusted EBITDA are defined as revenue and Adjusted EBITDA 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 the completion of the joint venture, whereby the opening balance sheet of the combined business was 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 otherwise been released and recognised as revenue and operating costs respectively. Effective in 2024 reporting, transaction adjustments will no longer be reported on the basis of materiality. 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. See the "Management's Discussion and Analysis of Financial Condition and Results of Operations" section for a reconciliation to the closest equivalent statutory measures, revenue and operating income respectively.

	Year ended 31 December			
		2023		2022
		in millions		in millions
Revenue	£	10,912.7	£	10,360.0
Deferred revenue - Transaction Adjustments		10.5		21.9
Transaction Adjusted Revenue	**£**	**10,923.2**	**£**	**10,381.9**

	Year ended 31 December			
		2023		2022
		in millions		in millions
Adjusted EBITDA (see above for reconciliation to nearest statutory measure)	£	4,096.0	£	3,931.6
Deferred revenue - Transaction Adjustments		10.5		21.9
Deferred commissions and install cost - Transaction Adjustments		(4.2)		(48.1)
Transaction Adjusted EBITDA	**£**	**4,102.3**	**£**	**3,905.4**

Virgin media O2