Virgin Media O2[1] publishes Q2 results to 30 June 2024

Virgin Media O2 advances network evolution as targeted investments in future growth drivers continue

London, UK - 26 July 2024

- **Financial performance:** Combined consumer fixed and mobile revenue excluding handset stable, low margin mobile handset and B2B fixed revenue headwinds remain, as Q2 total revenue decreased 4.1% excluding nexfibre construction. Q2 Adjusted EBITDA decreased 1.5% excluding nexfibre construction and remains on track to meet guidance.
- **Commercial momentum:** Contractual fixed price rise introduction improved Q2 ARPU per fixed-line customer 3.1% year-over-year, with a modest 13,600 reduction in fixed-line customer relationships. Q2 mobile contract base reduction of 118,400 with less activity at the premium end of the market.
- **Network evolution:** Combined full fibre footprint reaches the milestone of 5 million premises, with build accelerating. First stage of mobile Shared Rural Network complete, as new long-term mobile network agreement with Vodafone UK announced.
- **2024 guidance update:** The company expects to deliver a low to mid-single-digit decline in revenue excluding nexfibre construction, as low margin hardware revenue is a continued headwind. However combined consumer fixed revenue and mobile revenue excluding handset are expected to remain stable. Adjusted EBITDA, Adjusted Free Cash Flow, cash distributions to shareholders, and all other 2024 guidance reiterated as investment in growth drivers continues, with nexfibre marketing and sales activity expected to ramp in the second half of 2024.

Lutz Schüler, CEO of Virgin Media O2, said:

"Despite a tough trading environment, we remained focused on delivering more for our customers, continuing to invest significantly in our networks and services, to the level of more than £1 billion so far this year and successfully executing price changes. We have maintained consumer fixed and mobile revenue excluding handset, with overall revenue impacted predominantly by mobile hardware headwinds, and profitability is on track and in line with our full year guidance.

"Our fibre deployment has gathered significant pace, with the Virgin Media O2 fibre footprint now hitting 5 million premises as we push forward towards creating the UK's largest national fibre challenger. Our 5G mobile connectivity now covers almost two-thirds of the UK population and the team pulled out all the stops to hit our Shared Rural Network target, improving mobile coverage in rural areas of the country. Looking ahead, our new network sharing agreement with Vodafone UK builds on the success of our existing relationship and also keeps Virgin Media O2 in a strong position should the Vodafone-Three merger be approved – an outcome we support and believe would be a positive step for investment in the UK's digital infrastructure.

"Looking to the second half of the year, our strategy to invest in key drivers of future growth is the right one, and we're focused on delivering while transforming and simplifying our business for long-term success."

Price rises implemented to support value focus

The **fixed-line customer base** ended the quarter at 5.8 million, with a net reduction of 13,600 in the quarter. Customer growth in the nexfibre footprint continues to build steadily, and is expected to rise as marketing increases, however this was offset by a moderate loss on the Virgin Media O2 owned footprint during the quarter when price rises were implemented. Having stabilised in recent quarters, **ARPU per**

fixed-line customer relationship returned to growth at £48.49 in Q2, representing a £2.24 quarter-over-quarter or £1.45 year-over-year increase.

The **mobile contract base** reduced by 118,400, ending Q2 at 15.9 million. Reflective of wider market trends, activity in the premium end of the market remained lower than the prior year impacting O2 gross additions, while Q2 O2 monthly contract churn remained stable at 1.2%. The reduction in the mobile contract base was more than offset by growth in IoT, wholesale (including MVNO partnerships) and prepaid, as total mobile connections increased by 403,100 to 45.5 million.

Strategic and operational advancement in upgrading the UK's digital infrastructure

Virgin Media O2's full fibre footprint reached the milestone of 5 million premises at the end of Q2, through a combination of its existing fibre footprint, progress in the fibre upgrade activity, and as the anchor tenant and build supplier of the nexfibre network. Footprint expansion full fibre build accelerated by 68.3% year-over-year, as the total serviceable footprint grew by 295,300 homes in Q2, principally through build on behalf of nexfibre.

The rollout of 5G Standalone continued, with outdoor 5G coverage now reaching almost two thirds of the UK population (65%) following the switch on of next generation 5G Standalone in the first quarter. The company is on track to bring 5G to all populated areas by the end of 2030, while continuing to invest in increasing mobile network capacity and improving rural connectivity.

Virgin Media O2 completed the first stage of its Shared Rural Network rollout in June in line with Government targets, bringing reliable 4G coverage to 227 rural communities across the UK, helping to reduce the digital divide. Considering upgrades delivered by all operators, Virgin Media O2's customers can now benefit from reliable 4G services across more than 300 former coverage black spots.

In July, Virgin Media O2 and Vodafone UK announced a new, long-term mobile network sharing agreement, expanding on the existing arrangement between Vodafone UK and Virgin Media O2. Further to this, should the Vodafone UK and Three UK merger ('MergeCo') receive approval from the UK's Competition and Markets Authority, the agreement provides a stable basis for MergeCo's enlarged network to participate in the network sharing agreement, with Virgin Media O2 acquiring spectrum from MergeCo increasing its current holding to provide increased capacity, speeds and greater coverage to customers.

Reducing e-waste through circular economy initiatives

In May, the company awarded £500,000 in grants for initiatives which tackle electronic waste and support digital inclusion through Virgin Media O2 and Hubbub's Time After Time fund. The fund was established in response to the UK's e-waste problem, with grants provided to eight projects which give unwanted technology a second life and help communities in need get online. Additionally, to celebrate World Earth Day the company incentivised customers to purchase recycled handsets by offering a £50 credit upon purchase of a Like New handset.

2024 guidance

2024 guidance update, the company expects:

- A low to mid-single-digit decline in revenue (updated from stable to declining, driven by low margin hardware sales pressure) excluding the impact of nexfibre construction.

All other 2024 guidance metrics reiterated, as the company expects:

- A low to mid-single-digit decline in Adjusted EBITDA excluding the impact of nexfibre construction;
- P&E additions of £2.0 to £2.2 billion, with opex and capex CTC of less than £150 million;

- Cash distributions to shareholders of around £850 million supported by proceeds of the minority sale of CTIL in 2023 and around £500 million of Adjusted Free Cash Flow. Targeting being in line with the 4x to 5x leverage range in the medium term.

Targeted investments in future growth drivers

Revenue: Q2 total Revenue decreased 1.4% year-over-year to £2,673.7 million, as revenue excluding the impact of nexfibre construction decreased 4.1%. Total mobile revenue decreased 6.4% to £1,398.1 million, primarily driven by low margin handset revenue which decreased 19.5%. Consumer fixed revenue increased 3.9% year-over-year to £864.8 million, as the implementation of contractual price increases for the first time drove a return to growth in ARPU per fixed-line customer relationship. B2B fixed revenue decreased 15.5% to £108.1 million with the primary driver being a reduced level of network hardware and associated professional services sales. Other revenue increased 18.2% to £302.7 million driven by increased nexfibre construction revenue, partially offset by decreased mobile insurance revenue and other smaller drivers.

Adjusted EBITDA: Q2 Adjusted EBITDA decreased 1.6% year-over-year to £998.4 million, or a 1.5% decrease excluding nexfibre construction, prior to £10.6 million of opex CTC. This was driven by reduced contribution from B2B fixed and additional expenditure in IT and digital efficiency programmes. Furthermore, after a related-party contract change, approximately £10.3 million of CPE hardware and essential software costs were capitalised, improving Adjusted EBITDA with a corresponding increase in P&E additions, causing no impact to Free Cash Flow. Q2 2024 Adjusted EBITDA margin was broadly stable at 37.3% compared to 37.4% in Q2 2023. Adjusted EBITDA including CTC decreased 1.0% to £987.8 million, with a reduced level of opex CTC.

Adjusted EBITDA less Capex: Q2 Adjusted EBITDA less Capex decreased 2.0% year-over-year to £456.0 million, before opex and capex CTC of £31.2 million. This was driven by the aforementioned decrease in Adjusted EBITDA and increased ROU asset additions, partially offset by a reduction in P&E additions.

Adjusted Free Cash Flow: Adjusted FCF was £435.9 million for the quarter ended 30 June 2024.

Proactive financing approach supports strong capital structure

At 30 June 2024, the company's fully-swapped third-party debt borrowing cost was 5.1% and the average tenor of third-party debt (excluding vendor financing) was 5.6 years, with an increase in tenor supported by refinancing activity completed in Q2. In April, Virgin Media O2 issued €600.0 million and $750.0 million principal amounts of Senior Secured Notes. These were issued at par, mature on 15 April 2032, and bear an interest of 5.625% and 7.75%, respectively. The proceeds from these 2032 Senior Secured Notes are to purchase and cancel or repay existing 2027 maturing debt. As per policy, the interest and foreign currency risk of such refinancing activity is mitigated through a derivative portfolio.

At 30 June 2024, and subject to the completion of the corresponding compliance reporting requirements, the ratios of Net Senior Debt and Net Total Debt to Annualised Adjusted EBITDA (last two quarters annualised) were 3.71x and 4.01x, respectively, each as calculated in accordance with the most restrictive covenants, and reflecting the Credit Facility Excluded Amounts as defined in the respective credit agreements. Vendor financing, lease and certain other obligations are not included in the calculation of the company's leverage covenants. If these obligations were included in the leverage ratio calculation, and Virgin Media O2 did not reflect the exclusion of the Credit Facility Excluded Amounts, the ratio of Total Net Debt to Annualised Adjusted EBITDA would have been 5.32x at 30 June 2024.

At 30 June 2024, the company had maximum undrawn commitments of £1,378.0 million equivalent. When compliance reporting requirements have been completed and assuming no change from 30 June 2024 borrowing levels, it is anticipated that the full borrowing capacity will continue to be available, based on the maximum the company can incur and upstream.

Operating Statistics Summary

	As of and for the three months ended 30 June	
	2024	**2023**
Footprint		
Homes Serviceable[(i)]	**17,489,000**	**16,449,900**
Fixed-Line Customer Relationships		
Fixed-Line Customer Relationships[(ii)]	**5,811,200**	**5,791,700**
O/w Broadband Connections[(ii)]	5,710,700	5,667,300
Fixed-Line Customer Relationship net losses	**(13,600)**	**(24,700)**
O/w Broadband net losses	(12,200)	(15,300)
Q2 Monthly ARPU per Fixed-Line Customer Relationship	£ 48.49	£ 47.04
Mobile		
Retail Connections	**35,656,500**	**34,525,900**
Mobile	23,428,800	23,915,500
Contract	15,870,200	16,053,300
Prepaid	7,558,600	7,862,200
IoT	12,227,700	10,610,400
Wholesale Connections	**9,829,900**	**9,429,700**
Total Mobile Connections	**45,486,400**	**43,955,600**
Retail net additions	**283,000**	**456,200**
Mobile net additions (losses)	(55,400)	46,500
Contract net losses	(118,400)	(1,500)
Prepaid net additions	63,000	48,000
IoT net additions	338,400	409,700
Wholesale net additions (losses)	**120,100**	**(1,447,500)**
Total Mobile net additions (losses)	**403,100**	**(991,300)**

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

(ii) Excludes Upp customers.

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

The preliminary unaudited selected financial results are set forth below:

	Three months ended 30 June		Increase (decrease)	Six months ended 30 June		Increase (decrease)
	2024	2023		2024	2023	
	in £ millions, except % amounts					
Revenue						
Mobile	**1,398.1**	**1,493.8**	**(6.4%)**	**2,760.8**	**2,923.0**	**(5.5%)**
Handset	288.0	357.7	(19.5%)	579.9	744.6	(22.1%)
Fixed	**972.9**	**960.4**	**1.3%**	**1,904.5**	**1,916.5**	**(0.6%)**
Consumer Fixed	864.8	832.4	3.9%	1,687.7	1,654.8	2.0%
Subscription	846.6	818.1	3.5%	1,654.3	1,625.9	1.7%
Other	18.2	14.3	27.3%	33.4	28.9	15.6%
B2B Fixed	108.1	128.0	(15.5%)	216.8	261.7	(17.2%)
Other	**302.7**	**256.1**	**18.2%**	**597.2**	**473.4**	**26.2%**
Total Revenue	**2,673.7**	**2,710.3**	**(1.4%)**	**5,262.5**	**5,312.9**	**(0.9%)**
Adjusted EBITDA						
Adjusted EBITDA	**998.4**	**1,015.0**	**(1.6%)**	**1,933.8**	**1,963.8**	**(1.5%)**
Adjusted EBITDA as a % of Revenue	*37.3%*	*37.4%*		*36.7%*	*37.0%*	
Opex CTC	(10.6)	(17.6)		(20.3)	(38.4)	
Adjusted EBITDA including CTC	**987.8**	**997.4**	(1.0%)	**1,913.5**	**1,925.4**	(0.6%)
Adjusted EBITDA less Capex						
Adjusted EBITDA	998.4	1,015.0	(1.6%)	1,933.8	1,963.8	(1.5%)
Property & equipment additions	479.9	526.4	(8.8%)	1,031.9	1,005.3	2.6%
ROU asset additions	62.5	23.1	170.6%	138.6	53.7	158.1%
Adjusted EBITDA less Capex	**456.0**	**465.5**	**(2.0%)**	**763.3**	**904.8**	**(15.6%)**
Adjusted EBITDA less Capex as a % of Revenue	*17.1%*	*17.2%*		*14.5%*	*17.0%*	
Opex and Capex CTC	(31.2)	(47.2)		(60.3)	(93.0)	
Adjusted EBITDA less Capex including CTC	424.8	418.3	1.6%	703.0	811.8	(13.4%)
Adjusted Free Cash Flow (FCF)						
Adjusted FCF	**435.9**	**460.5**		**(302.8)**	**(291.1)**	

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

	Three months ended 30 June		Increase (decrease)	Six months ended 30 June		Increase (decrease)
	2024	2023		2024	2023	
	in £ millions, except % amounts					
Net profit	11.5	307.6		30.8	18.1	
Income tax expense	12.8	116.3		29.5	32.7	
Other income, net	(3.3)	(4.4)		(6.5)	(8.6)	
Share of results of investments accounted for by the equity method	0.3	(1.0)		(0.4)	(1.7)	
Finance income	(108.6)	(635.5)		(353.2)	(863.2)	
Finance costs	340.0	302.8		745.0	896.8	
Operating income	252.7	85.8		445.2	74.1	
Depreciation and amortisation	695.6	856.5		1,425.1	1,769.4	
Share-based compensation expense	16.1	15.9		12.7	29.5	
Restructuring and other operating	23.4	39.2		30.5	52.4	
Costs to capture	10.6	17.6		20.3	38.4	
Adjusted EBITDA	**998.4**	**1,015.0**	**(1.6%)**	**1,933.8**	**1,963.8**	**(1.5%)**

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

	Three months ended 30 June		Six months ended 30 June	
	2024	2023[(i)]	2024	2023[(i)]
	in £ millions			
Net cash provided by operating activities	931.4	946.7	973.5	923.0
Operating-related vendor financing additions	723.8	716.2	1,526.6	1,367.7
Capital expenditures, net	(339.3)	(365.2)	(754.7)	(795.7)
Principal payments on vendor financing	(843.1)	(781.8)	(1,958.4)	(1,677.1)
Principal payments on certain leases	(36.9)	(55.4)	(89.8)	(109.0)
Adjusted FCF	**435.9**	**460.5**	**(302.8)**	**(291.1)**

(i) Prior year balances have been restated with an amount recognised within Q4 2023 re-phased for comparability purposes. There is no change to total Adjusted Free Cash Flow. See item 5 within the Footnote section for further details.

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

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

	30 June 2024			31 March 2024
	Borrowing currency		£ equivalent	
			in millions	
Senior and Senior Secured Credit Facilities:				
Term Loan L (SONIA + 3.25%) due 2027	£	—	£ —	£ 296.1
Term Loan M (SONIA + 3.25%) due 2027	£	—	—	258.7
Term Loan N (Term SOFR + 2.50%) due 2028	$	3,300.0	2,610.3	2,613.8
Term Loan O (EURIBOR + 2.50%) due 2029	€	750.0	635.7	641.3
Term Loan Q (Term SOFR + 3.25%) due 2029	$	1,300.0	1,028.3	1,029.7
Term Loan R (EURIBOR + 3.25%) due 2029	€	750.0	635.7	641.3
Term Loan X (SONIA + 3.25%[i]) due 2027	£	—	—	236.9
Term Loan X1 (SONIA + 3.25%[i]) due 2029	£	750.0	750.0	750.0
Term Loan Y (Term SOFR + 3.25%[i]) due 2031	$	1,250.0	988.7	990.0
Term Loan Z (EURIBOR + 3.50%[i]) due 2031	€	720.0	610.3	615.7
£54 million (equivalent) RCF (SONIA + 2.75%) due 2026	£	—	—	—
£1,324 million (equivalent) RCF (SONIA + 2.75%[i]) due 2029	£	—	—	—
VM Financing Facilities (GBP equivalent)	£	65.1	65.1	103.0
Total Senior and Senior Secured Credit Facilities			7,324.1	8,176.5
Senior Secured Notes:				
5.00% GBP Senior Secured Notes due 2027	£	138.1	138.1	457.5
5.50% USD Senior Secured Notes due 2029	$	1,425.0	1,127.2	1,128.6
5.25% GBP Senior Secured Notes due 2029	£	340.0	340.0	340.0
4.00% GBP Senior Secured Notes due 2029	£	600.0	600.0	600.0
4.25% GBP Senior Secured Notes due 2030	£	635.0	635.0	635.0
4.50% USD Senior Secured Notes due 2030	$	915.0	723.7	724.7
4.125% GBP Senior Secured Notes due 2030	£	480.0	480.0	480.0
3.25% EUR Senior Secured Notes due 2031	€	950.0	805.2	812.4
4.25% USD Senior Secured Notes due 2031	$	1,350.0	1,067.8	1,069.3
4.75% USD Senior Secured Notes due 2031	$	1,400.0	1,107.4	1,108.9
4.50% GBP Senior Secured Notes due 2031	£	675.0	675.0	675.0
7.75% USD Senior Secured Notes due 2032	$	750.0	593.2	—
5.625%[i] EUR Senior Secured Notes due 2032	€	600.0	508.6	—
Total Senior Secured Notes			8,801.2	8,031.4
Senior Notes:				
5.00% USD Senior Notes due 2030	$	925.0	731.7	732.6
3.75% EUR Senior Notes due 2030	€	500.0	423.8	427.6
Total Senior Notes			1,155.5	1,160.2
Vendor financing			2,968.9	2,904.3
Share of CTIL debt			167.0	187.0
Other debt			316.9	300.1
Lease obligations			777.1	757.7
Total third-party debt and lease obligations			**21,510.7**	**21,517.2**
Less: unamortised premiums, discounts, deferred financing costs and fair value adjustments, net			8.3	(0.7)
Total carrying amount of third-party debt and lease obligations			**21,502.4**	**21,517.9**
Less: cash and cash equivalents			680.5	260.0
Net carrying amount of third-party debt and lease obligations			**£ 20,821.9**	**£ 21,257.9**
Exchange rate (€ to £)			1.1798	1.1694
Exchange rate ($ to £)			1.2643	1.2626

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

Covenant Debt Information[1]

The pound sterling equivalent of the reconciliation from VMED O2's consolidated third-party debt and lease obligations to the total covenant amount of third-party gross and net debt and includes information regarding the projected principal-related cash flows of our cross-currency derivative instruments is set forth below. The pound sterling equivalents presented below are based on exchange rates that were in effect as of 30 June 2024 and 31 March 2024. These amounts are presented for illustrative purposes only and will likely differ from the actual cash payments or receipts in future periods.

	30 June 2024	31 March 2024
	in millions	
Total third-party debt and lease obligations (£ equivalent)	**£ 21,510.7**	**£ 21,517.2**
Vendor financing	(2,875.5)	(2,799.8)
Other debt	(316.9)	(300.1)
CTIL debt	(167.0)	(187.0)
Credit Facility excluded amount	(1,015.4)	(1,052.0)
Lease obligations	(777.1)	(757.7)
Projected principal-related cash payments associated with our cross-currency derivative instruments	107.7	59.9
Total covenant amount of third-party gross debt	**16,466.5**	**16,480.5**
Cash and cash equivalents	(175.3)	(4.9)
Total covenant amount of third-party net debt	**£ 16,291.2**	**£ 16,475.6**

Net Senior Debt to Annualised Adjusted EBITDA and Net Total Debt to Annualised Adjusted EBITDA is set forth below. These ratios calculate Adjusted EBITDA on a last two quarters annualised basis as of 30 June 2024.

	30 June 2024	Covenant
Net Senior Debt to Annualised Adjusted EBITDA (last two quarters annualised)	3.71x	4.00x
Net Total Debt to Annualised Adjusted EBITDA (last two quarters annualised)	4.01x	5.00x

Forward-Looking Statements

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

Contact Information

Virgin Media O2 Investor Relations:		Virgin Media O2 Corporate Communications:	
Thomas McLeod	+44 333 000 2912	James Lusher	+44 333 000 2900

About Virgin Media O2

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

Liberty Global is a world leader in converged broadband, video and mobile communications services. It delivers next-generation products through advanced fibre and 5G networks, and currently provides over 85 million[(i)] connections across Europe. Liberty Global's businesses operate under some of the best-known consumer brands, including Sunrise in Switzerland, Telenet in Belgium, Virgin Media in Ireland, UPC in Slovakia, Virgin Media-O2 in the U.K. and VodafoneZiggo in The Netherlands. Through its substantial scale and commitment to innovation, Liberty Global are building Tomorrow’s Connections Today, investing in the infrastructure and platforms that empower its customers to make the most of the digital revolution, while deploying the advanced technologies that nations and economies need to thrive. Liberty Global Ventures, its global investment arm, has a portfolio of more than 75 companies and funds across the content, technology and infrastructure industries, including stakes in companies like ITV, Televisa Univision, Plume, AtlasEdge and the Formula E racing series.

Telefónica is one the largest telecommunications service providers in the world. The company offers fixed and mobile connectivity as well as a wide range of digital services for residential and business customers. With more than 392 million customers, Telefónica operates in Europe and Latin America. Telefónica is a 100% listed company and its shares are traded on the Spanish Stock Market and on those in New York and Lima.

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

Footnotes

1. Formed on 1 June 2021, Virgin Media O2 is a 50:50 joint venture between Liberty Global Ltd. (Liberty Global) and Telefónica, SA (Telefónica). The information provided in this release includes the financial information of VMED O2 UK Limited, a holding company that is not included as a restricted subsidiary for purposes of the facilities agreement and bond indentures governing Virgin Media O2. Disclosures may differ from reporting required under debt covenant arrangements. This release includes the actual IFRS results for Virgin Media O2 for the three and six months ended 30 June 2024 and 2023.

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

	Three months ended 30 June		Increase (decrease)	Six months ended 30 June		Increase (decrease)
	2024	2023		2024	2023	
	in £ millions, except % amounts					
Adjusted EBITDAaL						
Adjusted EBITDA	998.4	1,015.0	(1.6%)	1,933.8	1,963.8	(1.5%)
Lease depreciation and interest costs	(55.5)	(56.1)		(112.0)	(112.9)	
Adjusted EBITDAaL	942.9	958.9	(1.7%)	1,821.8	1,850.9	(1.6%)

3. There is a £1.7 million and £1.8 million amount within the net profit for the three and six months ended 30 June 2024 attributable to the Non-Controlling Interest.

4. Effective in Q1 2024 reporting, transaction adjustments will no longer be reported. For detail on the 2023 revenue breakdown on a reported revenue basis see Q1 2024 Earnings Release.

5. Prior year quarterly balances within our reconciliation of our net cash provided or (used) by operating activities to Adjusted Free Cash Flow have been restated. Specifically, an amount recognised within Q4 2023 has been re-phased. There is no change to total Adjusted Free Cash Flow or Year ended 31 December 2023 balances. For detail on the revised 2023 balances see Q1 2024 Earnings Release.

Glossary

5G Population Coverage: The percentage of the UK outdoor population with access to 5G mobile services through a 5G Standalone (SA) enabled device.

Adjusted EBITDA: Adjusted EBITDA is the primary measure used by our chief operating decision maker to evaluate operating performance and is also a key factor that is used by our internal decision makers to (i) determine how to allocate resources and (ii) evaluate the effectiveness of our management for purposes of annual and other incentive compensation plans. As we use the term, Adjusted EBITDA is defined as profit (loss) from continuing operations before net income tax benefit (expense), other non-operating income or expenses, share of results of investments accounted for by the equity method, net finance costs, depreciation and amortisation, share-based compensation, impairment, restructuring and other operating items and CTC opex costs. Share-based compensation for the purposes of calculating Adjusted EBITDA also includes awards granted to Virgin Media O2 employees that are settled with Liberty Global and Telefónica shares. Our internal decision makers believe Adjusted EBITDA is a meaningful measure because it represents a transparent view of our recurring operating performance that is unaffected by our capital structure and allows management to (1) readily view operating trends, (2) perform analytical comparisons and benchmarking and (3) identify strategies to improve operating performance. We believe our consolidated Adjusted EBITDA measure, which is a non-GAAP measure, is useful to investors because it is one of the bases for comparing our performance with the performance of other companies in the same or similar industries, although our measure may not be directly comparable to similar measures used by other companies.

Adjusted EBITDA after Leases (Adjusted EBITDAaL): We define Adjusted EBITDAaL as Adjusted EBITDA as further adjusted to include lease related depreciation and interest expense. Our internal decision makers believe Adjusted EBITDAaL is a meaningful measure because it represents a transparent view of our recurring operating performance that includes recurring lease expenses necessary to operate our business. We believe Adjusted EBITDAaL, which is a non-GAAP measure, is useful to investors because it is one of the bases for comparing our performance with the performance of other companies in the same or similar industries, although our measure may not be directly comparable to similar measures used by other public companies. Adjusted EBITDAaL should be viewed as a measure of operating performance that is a supplement to, and not a substitute for, IFRS measures of income included in our consolidated statements of profit or loss.

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

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

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

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

B2B: Business-to-Business.

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

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

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

CTIL: Cornerstone Telecommunications Infrastructure Limited.

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

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

Fibre Footprint: Homes, residential multiple dwelling units or commercial units to which we, or partner networks which we have a service agreement with, have deployed fibre primarily through either 10 Gigabit symmetrical passive optical network (XGS-PON) or Radio Frequency over Glass (RFoG) technology. Fibre footprint premises may not necessarily meet the definition of Homes Serviceable with fibre.

FTTH: Fibre to the home.

FTTP: Fibre to the premise.

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.

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.

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

Mbps: Megabits per second.

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

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

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

MVNO: Mobile Virtual Network Operator.

nexfibre: nexfibre is a joint venture between our shareholders, Liberty Global and Telefónica, and InfraVia Capital Partners, building a FTTH network of 5 to 7 million premises not covered by our existing network. Virgin Media O2 is the anchor wholesale client of nexfibre, in addition to providing a range of construction and other services to nexfibre.

Property & Equipment (P&E) additions: P&E additions are defined as tangible and intangible asset additions, excluding capex CTC, and ROU asset additions. Capex CTC are capital-related costs that are directly associated with integration and aligning our business processes to derive synergies. We believe this is a key metric to understand our total capital expenditure and allows for a more meaningful comparison of trends from period to period.

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

SIM: Subscriber Identification Module.

SMIP: Smart Metering Implementation Programme.

SOHO: Small or Home Office Subscribers.

SONIA: Sterling Overnight Index Average plus a credit adjustment spread.

Term SOFR: Term Secured Overnight Finance Rate plus a credit adjustment spread.

YoY: Year-over-year.