Virgin Media O2[1] publishes Q3 results to 30 September 2024

Virgin Media O2 continue targeted investments with 2024 guidance reaffirmed

London, UK - 30 October 2024

- **Financial performance:**
  - Stable combined consumer fixed and mobile revenue excluding handsets, underpinned by fixed-line ARPU growth. Total revenue excluding nexfibre construction decreased 4.5% primarily attributable to handsets.
  - Increased investment in growth drivers and prior year comparator impact EBITDA growth in quarter, as Adjusted EBITDA excluding nexfibre construction decreased 4.1%.
- **Commercial momentum:**
  - Return to fixed-line customer growth of 15,000 net additions, with accelerated growth in the nexfibre expansion footprint.
  - Improved momentum in the mobile contract base with modest reduction of 15,300 in Q3, supported by monthly O2 contract churn reduction to 1.1%.
- **Network evolution:**
  - Continued momentum in fibre footprint expansion and 5G connectivity rollout, with total year to date investment of over £1.5 billion and total serviceable homes standing at 17.8 million.
  - Strategic mobile network announcements of a further minority stake sale in mobile tower joint venture CTIL and a new long-term partnership with Cellnex UK.
- **2024 guidance:** All guidance metrics reaffirmed, as the company continues to execute targeted investments to support customer acquisition and experience.

Lutz Schüler, CEO of Virgin Media O2, said:

"During Q3 we have continued to make progress against our core strategy as we invest in the foundations for future growth.

"We delivered on both volume and value in consumer fixed, with a return to customer growth coupled with an increase in fixed-line ARPU. In mobile, we saw a quarterly trend improvement in key metrics, supported by a reduction in O2 churn during a summer of key campaigns for our loyalty programme Priority and inclusive EU roaming.

"Our 5G and fibre rollout continues at pace, and we have invested more than £1.5 billion so far this year as we focus on delivering a great customer experience with fast, reliable connectivity in more areas, increased loyalty benefits and improvements in our customer service performance.

"In the first nine months we are tracking well against EBITDA guidance, enabling us to reiterate all guidance metrics with confidence, as we keep our foot on the gas with targeted investments in the salient final quarter."

Improved commercial momentum

The **fixed-line customer base returned to positive growth** with 15,000 net additions, bringing the total base to 5.8 million at the end of the quarter. Growth was supported by targeted investment in sales and marketing, which drove an over 40% increase in gross additions in the nexfibre expansion footprint compared to Q2. **ARPU per fixed-line customer relationship maintained positive growth** with a 2.2% year-over-year increase to £48.33 in Q3, supported by improved value retention of existing customers.

The **mobile contract base** was broadly stable ending Q3 at 15.9 million, with a reduction of 15,300 in the quarter showing improving trends compared to Q2. Progression in net additions momentum was attributable to a **reduction in monthly O2 contract churn** to 1.1% in Q3, ahead of a key trading period in Q4. The total mobile base reduced by 74,300 connections to 45.4 million, with a reduction of 221,300 IoT connections attributable to the expected loss of very low value connections following the introduction of a minimum charge pricing mechanism, more than offsetting growth in wholesale (including MVNO partnerships) and prepaid.

Operational and strategic progress in upgrading the UK's digital infrastructure

Fibre rollout into new areas continued at pace as build, primarily on behalf of nexfibre, reached 281,100 new premises in Q3 2024, with a 44.2% increase in build rate in the first nine months of 2024 compared to 2023. This includes the transfer of the first Upp premises from Virgin Media O2 to nexfibre following the acquisition of the altnet in 2023 and the successful completion of integration work, with the majority of the 175,000 acquired premises still to be transferred. Virgin Media O2's homes serviceable footprint now reaches 17.8 million gigabit premises, evidencing its position as the largest fixed network challenger in the UK. Alongside this, key network evolution programmes including the **upgrade of Virgin Media O2's fixed network to fibre** and the **rollout of 5G connectivity**, with 5G outdoor coverage now reaching 68% of the UK population, continued to progress in Q3.

Virgin Media O2 has announced the 8.33% minority stake sale in mobile tower joint venture CTIL, to funds managed by Equitix Investment Management Limited, with completion of the transaction subject to the finalisation of certain conditions. This follows on from, and is along equivalent terms to, a previous minority stake sale in CTIL by Virgin Media O2 in Q4 2023. The deal, which will see the company receive £186 million in cash upon final completion, is structured through a 16.66% sale in a holding company which indirectly owns 50% of Cornerstone. Under the ownership structure, Virgin Media O2 will continue to proportionately consolidate Cornerstone as a joint operation.

In the quarter, Virgin Media O2 and Vodafone UK agreed a new long-term partnership with Cellnex UK to provide both Mobile Network Operators with tower infrastructure and associated services. The agreement will enable Virgin Media O2 to maintain and upgrade existing sites across the country, where sites were previously managed by CTIL.

Continued progress to net zero carbon emissions in line with goals

In September, the company announced a partnership with EkkoSense for the provision of data centre optimisation software enabling Virgin Media O2 to make data centre cooling energy savings. The software will enable an expected average 15% reduction in data centre cooling energy, with savings equivalent to 760 tonnes of carbon dioxide using location-based scope 2 accounting.

2024 guidance

All 2024 guidance metrics reaffirmed, as the company expects:

- A low to mid-single-digit decline in revenue excluding the impact of nexfibre construction;
- 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.

Value focus with continued investment in growth drivers

Revenue: Q3 total revenue decreased 2.4% year-over-year to £2,701.8 million, as revenue excluding the impact of nexfibre construction decreased 4.5%. Total mobile revenue decreased 4.2% to £1,441.6 million, an improvement in momentum when compared to Q2, the reduction was primarily driven by low margin handset revenue which decreased 13.7%. Consumer fixed revenue increased 2.5% year-over-year to £859.6 million, supported by growth in ARPU of 2.2% year-over-year. B2B fixed revenue decreased 13.4% to £106.7 million primarily due to a reduced level of long-term leases being entered into versus the comparative period. Other revenue decreased 2.9% to £293.9 million with an increase in nexfibre construction revenue more than offset by the year-over-year impact of approximately £38 million of revenue recognised from a change in terms of a related-party contract in Q3 2023.

Adjusted EBITDA: Q3 Adjusted EBITDA decreased 4.1% year-over-year to £1,001.7 million, as Adjusted EBITDA excluding nexfibre construction also decreased 4.1%, prior to £7.7 million of opex CTC. This decrease was attributable to the approximately £38 million impact of a related-party contract change in terms during Q3 2023, and targeted investments in marketing on the growing nexfibre network and digital efficiency programmes. A related-party contract change in Q1 2024 also impacted growth, with approximately £14.1 million of CPE hardware and essential software costs capitalised in the quarter, improving Adjusted EBITDA with a corresponding increase in P&E additions, causing no impact to Free Cash Flow. The Q3 2024 Adjusted EBITDA margin was 37.1% compared to 37.7% in Q3 2023, reflecting an increased level of low margin nexfibre construction revenue. Adjusted EBITDA including CTC decreased 2.9% to £994.0 million, with a reduced level of opex CTC.

Adjusted EBITDA less Capex: Q3 Adjusted EBITDA less Capex decreased 56.1% year-over-year to £206.9 million, before opex and capex CTC of £28.7 million. The decrease was primarily attributable to an increased level of ROU asset additions, where the new long-term partnership with Cellnex UK resulted in £202.0 million of additions, superseding leases previously held by CTIL.

Adjusted Free Cash Flow: There was an Adjusted FCF outflow of £196.4 million for the quarter ended 30 September 2024.

Strong and stable capital structure

At 30 September 2024, the company's fully-swapped third-party debt borrowing cost was 5.0% and the average tenor of third-party debt (excluding vendor financing) was 5.4 years.

At 30 September 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 3.55x and 3.84x, 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 5.12x at 30 September 2024.

At 30 September 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 September 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 September	
	2024	**2023**
Footprint		
Homes Serviceable[(i)]	**17,770,100**	**16,700,700**
Fixed-Line Customer Relationships		
Fixed-Line Customer Relationships	**5,826,200**	**5,824,200**
O/w Broadband Connections	5,726,900	5,708,100
Fixed-Line Customer Relationship net additions	**15,000**	**32,500**
O/w Broadband net additions	16,200	40,800
Q3 Monthly ARPU per Fixed-Line Customer Relationship	£ 48.33	£ 47.28
Mobile		
Retail Connections	**35,483,900**	**35,065,600**
Mobile	23,477,500	24,069,500
Contract	15,854,900	16,103,300
Prepaid	7,622,600	7,966,200
IoT	12,006,400	10,996,100
Wholesale Connections	**9,928,200**	**9,539,600**
Total Mobile Connections	**45,412,100**	**44,605,200**
Retail net (losses) additions	**(172,600)**	**539,700**
Mobile net additions	48,700	154,000
Contract net (losses) additions	(15,300)	50,000
Prepaid net additions	64,000	104,000
IoT net (losses) additions	(221,300)	385,700
Wholesale net additions	**98,300**	**109,900**
Total Mobile net (losses) additions	**(74,300)**	**649,600**

(i) Excludes Upp premises until a home has been integrated to the Virgin Media O2 network and transferred to nexfibre.

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 September		Increase (decrease)	Nine months ended 30 September		Increase (decrease)
	2024	2023		2024	2023	
	in £ millions, except % amounts					
Revenue						
Mobile	**1,441.6**	**1,504.7**	**(4.2%)**	**4,202.4**	**4,427.7**	**(5.1%)**
Handset	322.9	374.0	(13.7%)	902.8	1,118.6	(19.3%)
Fixed	**966.3**	**961.8**	**0.5%**	**2,870.8**	**2,878.3**	**(0.3%)**
Consumer Fixed	859.6	838.6	2.5%	2,547.3	2,493.4	2.2%
Subscription	842.9	823.1	2.4%	2,497.2	2,449.0	2.0%
Other	16.7	15.5	7.7%	50.1	44.4	12.8%
B2B Fixed	106.7	123.2	(13.4%)	323.5	384.9	(16.0%)
Other	**293.9**	**302.6**	**(2.9%)**	**891.1**	**776.0**	**14.8%**
Total Revenue	**2,701.8**	**2,769.1**	**(2.4%)**	**7,964.3**	**8,082.0**	**(1.5%)**
Adjusted EBITDA						
Adjusted EBITDA	**1,001.7**	**1,045.0**	**(4.1%)**	**2,935.5**	**3,008.8**	**(2.4%)**
Adjusted EBITDA as a % of Revenue	*37.1%*	*37.7%*		*36.9%*	*37.2%*	
Opex CTC	(7.7)	(21.7)		(28.0)	(60.1)	
Adjusted EBITDA including CTC	994.0	1,023.3	(2.9%)	2,907.5	2,948.7	(1.4%)
Adjusted EBITDA less Capex						
Adjusted EBITDA	1,001.7	1,045.0	(4.1%)	2,935.5	3,008.8	(2.4%)
Property & equipment additions	541.3	543.0	(0.3%)	1,573.2	1,548.3	1.6%
ROU asset additions	253.5	30.2	739.4%	392.1	83.9	367.3%
Adjusted EBITDA less Capex	**206.9**	**471.8**	**(56.1%)**	**970.2**	**1,376.6**	**(29.5%)**
Adjusted EBITDA less Capex as a % of Revenue	*7.7%*	*17.0%*		*12.2%*	*17.0%*	
Opex and Capex CTC	(28.7)	(47.9)		(89.0)	(140.9)	
Adjusted EBITDA less Capex including CTC	178.2	423.9	(58.0%)	881.2	1,235.7	(28.7%)
Adjusted Free Cash Flow (FCF)						
Adjusted FCF	**(196.4)**	**248.8**		**(499.2)**	**(42.3)**	

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

	Three months ended 30 September		Increase (decrease)	Nine months ended 30 September		Increase (decrease)
	2024	2023		2024	2023	
	in £ millions, except % amounts					
Net loss	(41.1)	(311.5)		(10.3)	(293.4)	
Income tax (benefit) expense	(8.5)	(93.6)		21.0	(60.9)	
Other income, net	(3.2)	(4.2)		(9.7)	(12.8)	
Share of results of investments accounted for by the equity method	(0.6)	0.5		(1.0)	(1.2)	
Finance income [i]	(670.0)	(62.5)		(676.6)	(618.8)	
Finance costs [i]	967.6	754.2		1,366.0	1,344.1	
Operating income	244.2	282.9		689.4	357.0	
Depreciation and amortisation	718.7	690.5		2,143.8	2,459.9	
Share-based compensation expense	11.8	10.9		24.5	40.4	
Restructuring and other operating	19.3	39.0		49.8	91.4	
Costs to capture	7.7	21.7		28.0	60.1	
Adjusted EBITDA	**1,001.7**	**1,045.0**	**(4.1%)**	**2,935.5**	**3,008.8**	**(2.4%)**

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

	Three months ended 30 September		Nine months ended 30 September	
	2024	2023[ii]	2024	2023[ii]
	in £ millions			
Net cash provided by operating activities	538.0	661.4	1,511.5	1,584.4
Operating-related vendor financing additions	723.2	544.7	2,249.8	1,912.4
Capital expenditures, net	(359.6)	(410.3)	(1,114.3)	(1,206.0)
Principal payments on vendor financing	(1,036.1)	(492.4)	(2,994.5)	(2,169.5)
Principal payments on certain leases	(61.9)	(54.6)	(151.7)	(163.6)
Adjusted FCF	**(196.4)**	**248.8**	**(499.2)**	**(42.3)**

(i) Prior year balances have been restated to show year-to-date balances net, previously these were presented gross. See item 7 within the Footnote section for further details.

(ii) 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 September 2024			30 June 2024
	Borrowing currency		£ equivalent	
			in millions	
Senior and Senior Secured Credit Facilities:				
Term Loan N (Term SOFR + 2.50%) due 2028	$	3,300.0	2,462.4	2,610.3
Term Loan O (EURIBOR + 2.50%) due 2029	€	750.0	623.9	635.7
Term Loan Q (Term SOFR + 3.25%) due 2029	$	1,300.0	970.0	1,028.3
Term Loan R (EURIBOR + 3.25%) due 2029	€	750.0	623.9	635.7
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	932.7	988.7
Term Loan Z (EURIBOR + 3.50%[i]) due 2031	€	720.0	598.9	610.3
£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)	£	24.9	24.9	65.1
Total Senior and Senior Secured Credit Facilities			6,986.7	7,324.1
Senior Secured Notes:				
5.00% GBP Senior Secured Notes due 2027	£	121.8	121.8	138.1
5.50% USD Senior Secured Notes due 2029	$	1,425.0	1,063.3	1,127.2
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	682.7	723.7
4.125% GBP Senior Secured Notes due 2030	£	480.0	480.0	480.0
3.25% EUR Senior Secured Notes due 2031	€	950.0	790.3	805.2
4.25% USD Senior Secured Notes due 2031	$	1,350.0	1,007.3	1,067.8
4.75% USD Senior Secured Notes due 2031	$	1,400.0	1,044.6	1,107.4
4.50% GBP Senior Secured Notes due 2031	£	675.0	675.0	675.0
7.75% USD Senior Secured Notes due 2032	$	750.0	559.6	593.2
5.625%[i] EUR Senior Secured Notes due 2032	€	600.0	499.1	508.6
Total Senior Secured Notes			8,498.7	8,801.2
Senior Notes:				
5.00% USD Senior Notes due 2030	$	925.0	690.2	731.7
3.75% EUR Senior Notes due 2030	€	500.0	415.9	423.8
Total Senior Notes			1,106.1	1,155.5
Vendor financing			2,866.9	2,968.9
Share of CTIL debt			208.5	167.0
Other debt			317.1	316.9
Lease obligations[ii]			941.7	777.1
Total third-party debt and lease obligations			**20,925.7**	**21,510.7**
Less: unamortised premiums, discounts, deferred financing costs and fair value adjustments, net			8.9	8.3
Total carrying amount of third-party debt and lease obligations			**20,916.8**	**21,502.4**
Less: cash and cash equivalents			451.5	680.5
Net carrying amount of third-party debt and lease obligations			**£ 20,465.3**	**£ 20,821.9**
Exchange rate (€ to £)			1.2021	1.1798
Exchange rate ($ to £)			1.3402	1.2643

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

(ii) During Q3 2024 an agreement between Virgin Media O2 and Cellnex UK resulted in £202.0 million new lease obligations. See item 6 within the Footnote section for further details.

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 September 2024 and 30 June 2024. These amounts are presented for illustrative purposes only and will likely differ from the actual cash payments or receipts in future periods.

	30 September 2024	30 June 2024
	in millions	
Total third-party debt and lease obligations (£ equivalent)	**£ 20,925.7**	**£ 21,510.7**
Vendor financing	(2,785.9)	(2,875.5)
Other debt	(317.1)	(316.9)
CTIL debt	(208.5)	(167.0)
Credit Facility excluded amount	(1,049.2)	(1,015.4)
Lease obligations	(941.7)	(777.1)
Projected principal-related cash payments associated with our cross-currency derivative instruments	740.3	107.7
Total covenant amount of third-party gross debt	**16,363.6**	**16,466.5**
Cash and cash equivalents	(250.8)	(175.3)
Total covenant amount of third-party net debt	**£ 16,112.8**	**£ 16,291.2**

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 September 2024.

	30 September 2024	Covenant
Net Senior Debt to Annualised Adjusted EBITDA (last two quarters annualised)	3.55x	4.00x
Net Total Debt to Annualised Adjusted EBITDA (last two quarters annualised)	3.84x	5.00x

Forward-Looking Statements

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

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About Virgin Media O2

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

Liberty Global is a world leader in converged broadband, video and mobile communications services. It delivers next-generation products through advanced fibre and 5G networks, and currently provides over 85 million[i] connections across Europe. Liberty Global's businesses operate under some of the best-known consumer brands, including Sunrise in Switzerland, Telenet in Belgium, Virgin Media in Ireland, UPC in Slovakia, Virgin Media-O2 in the U.K. and VodafoneZiggo in The Netherlands. 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 of 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 nine months ended 30 September 2024 and 2023.

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

	Three months ended 30 September		Increase (decrease)	Nine months ended 30 September		Increase (decrease)
	2024	2023		2024	2023	
	in £ millions, except % amounts					
Adjusted EBITDAaL						
Adjusted EBITDA	1,001.7	1,045.0	(4.1%)	2,935.5	3,008.8	(2.4%)
Lease depreciation and interest costs	(63.3)	(54.1)		(175.3)	(167.0)	
Adjusted EBITDAaL	938.4	990.9	(5.3%)	2,760.2	2,841.8	(2.9%)

3. There is £2.4 million and £4.2 million within net loss for the three and nine months ended 30 September 2024, respectively, attributable to Non-Controlling Interests.

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

5. Prior year quarterly balances within our reconciliation of net cash provided 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 31 December 2023 balances. For additional detail on the revised 2023 balances, see the Q1 2024 Earnings Release.

6. During Q3 2024, Virgin Media O2 signed a new agreement with Cellnex UK resulting in a £202.0 million ROU Asset and Lease Obligation addition. This agreement superseded leases previously held by CTIL, which had already amortised down to a negligible value.

7. 2023 year-to-date derivative balances have been restated to present the net position of realised and unrealised gains on derivative instruments. There is no change to net finance income (costs).

	Six months ended 30 June	Nine months ended 30 September	Year ended 31 December
		2023	
		in £ millions	
Finance income	(580.2)	(618.8)	(1,065.1)
Finance costs	613.8	1,344.1	2,494.7
Net finance costs	33.6	725.3	1,429.6

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. Other operating items include (a) gains and losses on the disposition of long-lived assets and (b) third party costs directly associated with successful and unsuccessful acquisitions and dispositions, including legal, advisory and due diligence fees. 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.

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.

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.

Customer Premises Equipment (CPE): CPE includes set-top boxes, modems, WiFi routers and boosters, digital video recorders (DVRs), tuners and similar devices.

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.

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.

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.