VodafoneZiggo Reports Preliminary Q1 2018 Results

Commercial Momentum Improving; Reconfirming 2018 Guidance

Utrecht, the Netherlands — May 8, 2018: VodafoneZiggo Group B.V. ("VodafoneZiggo"), a leading Dutch company that provides fixed, mobile and integrated communication and entertainment services to consumers and businesses, is today providing select, preliminary unaudited financial and operating information for the three months ("Q1") ended March 31, 2018, as compared to the results for the same period in the prior year (unless otherwise noted). The financial and operating information contained herein is preliminary and subject to change. We expect to issue our March 31, 2018 unaudited condensed consolidated financial statements prior to the end of May 2018, at which time the report will be posted to our website.

We adopted Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09") effective January 1, 2018 by recording the cumulative effect of the adoption to our owners' equity. The comparative information for the three months ended March 31, 2017 that will be included in our condensed consolidated financial statements has not been restated and will continue to be reported under the accounting standards in effect for such period. However, for purposes of this document, we present all financial information for periods prior to 2018 on a pro forma basis (unless otherwise noted) that gives effect to the impacts of ASU 2014-09 as if it had been adopted on January 1, 2017. The financial impact of ASU 2014-09 is detailed within the Appendix.

Highlights for Q1 2018:

- Added 12,000 fixed RGUs[1] in Q1, including 20,000 Broadband and 10,000 Enhanced Video additions. This represented a YoY improvement of 15,000 RGUs.
- Best quarterly result for mobile since the formation of VodafoneZiggo with 35,000 net organic additions (excluding non-revenue generating secondary SIMs) supported by the success of our converged propositions
- Fixed-mobile convergence continued as 920,000 of our 3.9 million fixed-line customers are now converged[2] (an increase of 48,000 in Q1) with these households using a total of 1.3 million mobile SIMs. The continued uptake of converged products is contributing to a higher Net Promoter Score and a significant reduction in both fixed and mobile churn[3]
- Video attrition of 5,000 represents a significant improvement of 13,000 as compared to Q1 2017 and in line with the low attrition level of last quarter. Investments in content like Ziggo Sport and HBO are supporting our performance. As a driver of digitalization in the Netherlands we have started migrating analog TV customers to digital TV and expect to be finished within the next 24 months
- Q1 total revenue[4] declined 4% to €972 million with declines in the consumer mobile and B2B mobile segments of 8% and 13%, respectively. Regulatory headwinds in mobile represent half of the total revenue decline. Consumer cable revenue declined 2% while B2B cable delivered 8% growth
- Operating income decreased to €31 million in Q1, compared to €54 million in Q1 2017
- Q1 OCF[5] declined by 3% to €420 million, primarily due to lower revenue, partially offset by a decrease in direct costs driven by lower interconnect and roaming costs
- Significant progress on integration plan, with synergy benefits expected to accelerate in H2 2018
- Reconfirming 2018 guidance[6] of stabilizing OCF and total expected cash returns[7] of €600-€800 million

Jeroen Hoencamp, VodafoneZiggo CEO, commented:

"I am pleased with the operational progress we have made in the first quarter of the year. We maintained commercial momentum as our converged strategy, including our 'Non-stop Gratis' offers, delivered strong results with 28% of our broadband customers and 62% of Vodafone-branded postpaid customers in our consumer base now converged. Supported by the Ziggo Power Promise campaign and 'limited edition' smartphone promotions, we added 12,000 fixed customers and 30,000 mobile postpaid customers in Q1, our best quarterly result since the JV was formed. In B2B fixed we saw strong growth, supported by increasing demand for our new Business Internet Pro products and by tenders won in 2017 for services to the Dutch Government. Looking forward, we expect the drag on mobile revenue growth from regulation to fade in the second half of the year, and we are on track to deliver total annualized cost synergies of at least €210 million by 2021. Consequently, we are reconfirming our guidance for stabilizing OCF in 2018."

Consumer performance for Q1 2018:

Total consumer revenue declined 4% in Q1

Fixed:

Consumer cable revenue[8] declined by €9 million or 2% in Q1:

- Revenue was adversely impacted by discounting associated with converged offers that were launched in Q2 2017
- Commercial momentum in our fixed consumer business continued with strong RGU performance
    - Added 10,000 broadband customers, supported by the Ziggo Power Promise WiFi campaign
    - Added 3,000 enhanced video subscribers supported by strategic content investments such as HBO and Ziggo Sport
    - Q1 consumer cable ARPU[9] increased 1% YoY to €46, partly driven by our July 2017 price increase
- In Q4 2017, in order to increase customer satisfaction we launched a new service improvement program for our fixed products & related services. Early results show a significant drop in customer support calls (down 21% YoY) by the end of Q1 2018
- Ziggo Mediabox XL net organic additions were 45,000 in Q1, increasing our next-generation TV subscribers to 1.3 million (up 18% YoY), or 40% of our enhanced video base
    - Ziggo GO is now actively used by more than 1.2 million customers (up 21% YoY)

Mobile:

Consumer mobile revenue[10] declined 8% in Q1. Revenue declines showed signs of moderating due to organic growth in our customer base during the quarter:

- The €19 million decline in Q1 includes (i) €12 million lower interconnect and roaming revenues following a reduction in Mobile Termination Rates ("MTRs"), which took effect in July 2017, and new EU roaming regulations as of June 2017, (ii) €4 million lower out-of-bundle usage, mainly as a result of higher data bundles in our premium Red mobile price plans, and (iii) €3 million lower revenue due to the net effect of (a) the impact of convergence discounts, (b) lower handset sales and (c) a higher customer base

- We had our best quarterly operational result since the start of VodafoneZiggo with 29,000 additions (excluding non-revenue generating secondary SIMs) in our Vodafone-branded portfolio, which represents over 75% of our total consumer postpaid base
- Our Q1 consumer postpaid ARPU decreased 10% YoY to €19, reflecting the impact of regulatory headwinds that began in June 2017 and lower out-of-bundle rates
- In March we launched the new 'All in the Family' mobile campaign, highlighting the increasing part technology plays in our daily lives and in keeping families connected, and how we are continuously investing in our network to support this
- We have recently been recognized by P3, the de-facto industry standard network test, as having outstanding quality scoring 962 out of 1,000 points
- Mobile data usage continued to grow rapidly, increasing 68% YoY, with average usage per postpaid smartphone customer increasing from 1.5 GB to 2.3 GB per month

Business performance for Q1 2018:

Total B2B revenue decreased by 6% in Q1

Fixed:

B2B cable revenue[11] increased by 8% in Q1 driven by continued growth within our B2B segments:

- In Q1, we added 18,000 fixed SOHO RGUs, including 8,000 broadband and 8,000 video subscribers. This performance was supported by our successful 3-months free-trial offers, introduced in January
- Q1 SOHO cable ARPU decreased 3% YoY to €60

Mobile:

B2B mobile revenue[12] decreased by 13% in Q1:

- The €21 million decline in Q1 includes (i) €8 million lower interconnect and roaming revenue, following a reduction in MTRs and new EU regulation, (ii) a €7 million decline due to the combined effect of SOHO customers selecting lower-priced (Consumer) plans and pricing pressure within our Medium and Large Enterprise segments and (iii) €6 million lower out-of-bundle usage, mainly as a result of higher data bundles in our premium Red mobile price plans
- Added 8,000 postpaid customers in Q1, as compared to a net loss of 4,000 in Q4 2017
- Q1 mobile B2B postpaid ARPU decreased 16% year-on-year to €23

Financial highlights for Q1 2018[(13)]:

Our revenue, operating income and OCF declined in Q1

- Revenue declined €41 million or 4% in Q1 to €972 million, including €20 million from regulatory impacts

- Operating income declined by €23 million in Q1 to €31 million. This decline was primarily due to the lower OCF performance as described below

- OCF declined by 3% in Q1 to €420 million

  - The contraction was primarily driven by the revenue declines detailed above, partially offset by €11 million lower interconnect and roaming costs driven by a reduction in MTRs and €4 million lower sales commissions as the result of stricter consumer credit regulation, which increased the proportion of SIM-only sales in Q1 2018

  - Integration expenses were €3 million in Q1 and we expect to incur €25 million for the calendar year, in line with our original 2018 guidance

- Note that we have adopted ASU 2014-09 ("New GAAP") this quarter, which has impacted our revenue, operating income and OCF results compared to the previous accounting standards ("Old GAAP"). As we highlight in the Appendix below, under Old GAAP our revenue declined 3% (versus 4% under New GAAP), our operating income declined to €40 million (versus a decline to €31 million under New GAAP) and our OCF declined 1% (versus 3% under New GAAP) as compared to the prior year period. The differences under ASU 2014-09 are mainly explained by the different treatment of handset revenues, converged discount allocations and commissions

- Property and equipment additions[14] were 20% of revenue for Q1

  - Q1 expenditures were €19 million lower as compared to Q1 2017 primarily due to lower capacity related spending following higher mobile network investments in the prior-year period to enhance the capacity of our network partly offset by higher integration spend

  - Integration-related additions were €18 million in Q1 and we expect to incur €70 million for the calendar year, in line with our original 2018 guidance

- At March 31, 2018, our fully-swapped third-party debt borrowing cost[15] was 4.6% and the average tenor of our third-party debt (excluding vendor financing) was 7.5 years

- At March 31, 2018, total third-party debt (excluding vendor financing and capital lease obligations) was €9.6 billion, down from €9.7 billion at December 31, 2017. For information concerning the debt balances used in our covenant calculations, see Covenant Debt Information below

- During the quarter, our cash distributions to shareholders related solely to interest on the Shareholder Notes of €25 million

- At March 31, 2018, and subject to the completion of our corresponding compliance reporting requirements, (i) the ratio of Senior Net Debt to Annualized EBITDA (last two quarters annualized) was 3.86x and (ii) the ratio of Total Net Debt to Annualized EBITDA (last two quarters annualized) was 4.94x, each as calculated in accordance with our most restrictive covenants

  - Vendor financing obligations are not included in the calculation of our leverage covenants. If we were to include these obligations in our leverage ratio calculation, the ratio of Total Net Debt to Annualized EBITDA would have been 5.38x at March 31, 2018

- At March 31, 2018, we had maximum undrawn commitments of €800 million. When our Q1 compliance reporting requirements have been completed and assuming no changes from March 31, 2018 borrowing levels, we anticipate the €585 million of our unused commitments will be available to be drawn

Operating Statistics Summary

	As of and for the three months ended March 31, 2018	2017
Footprint		
Homes Passed[16]	7,147,400	7,102,700
Two-way Homes Passed[17]	7,136,794	7,091,500
Subscribers (RGUs)[1]		
Basic Video[18]	561,300	642,300
Enhanced Video[19]	3,376,600	3,338,200
Total Video	3,937,900	3,980,500
Internet[20]	3,286,600	3,211,600
Telephony[21]	2,548,000	2,538,900
Total RGUs	9,772,500	9,731,000
Q1 Organic RGU Net Additions (Losses)		
Basic Video	(15,000)	(16,900)
Enhanced Video	10,400	(600)
Total Video	(4,600)	(17,500)
Internet	19,800	12,100
Telephony	(3,400)	2,700
Total organic RGU net additions (losses)	11,800	(2,700)
Penetration		
Enhanced Video Subscribers as a % of Total Video Subscribers[22]	85.7%	83.9%
Internet as a % of Two-way Homes Passed[23]	46.1%	45.3%
Telephony as a % of Two-way Homes Passed[23]	35.7%	35.8%
Fixed Customer Relationships		
Fixed Customer Relationships[24]	3,941,200	3,983,300
RGUs per Fixed Customer Relationship	2.48	2.45
Q1 Monthly ARPU per Fixed Customer Relationship[9]	€ 47	€ 46
Fixed Customer Bundling		
Single-Play	16.5%	19.2%
Double-Play	18.8%	17.0%
Triple-Play	64.8%	63.8%
Mobile SIMs[25]		
Postpaid	4,088,200	4,066,900
Prepaid	804,700	1,006,300
Total Mobile	4,892,900	5,073,200
Q1 organic Postpaid net additions (losses)	30,100	300
Q1 organic Prepaid net losses	(25,200)	(59,800)
Total organic Mobile net additions (losses)	4,900	(59,500)
Q1 Monthly Mobile ARPU[9]		
Postpaid (including interconnect revenue)	€ 21	€ 24
Prepaid (including interconnect revenue)	€ 3	€ 3

Financial Results, OCF Reconciliation & Property and Equipment Additions

The following table reflects preliminary unaudited selected financial results for the three months ended March 31, 2018 and 2017.

	Three months ended March 31,		
	2018	2017[26]	Change
	in millions, except % amounts		
Total revenue[4]			
Consumer cable revenue[8]			
Subscription revenue	€ 517.1	€ 522.6	(1.1%)
Non-subscription revenue	4.1	7.2	(43.1%)
Total consumer cable revenue	521.2	529.8	(1.6%)
Consumer mobile revenue[10]			
Service revenue	148.3	158.6	(6.5%)
Non-service revenue	56.1	64.7	(13.3%)
Total consumer mobile revenue	204.4	223.3	(8.5%)
Total consumer revenue	725.6	753.1	(3.7%)
B2B cable revenue[11]			
Subscription revenue	90.3	83.5	8.1%
Non-subscription revenue	6.7	6.5	3.1%
Total B2B cable revenue	97.0	90.0	7.8%
B2B mobile revenue[12]			
Service revenue	112.2	131.3	(14.5%)
Non-service revenue	26.0	27.6	(5.8%)
Total B2B mobile revenue	138.2	158.9	(13.0%)
Total B2B revenue	235.2	248.9	(5.5%)
Other revenue[27]	11.4	10.7	6.5%
Total revenue	€ 972.2	€ 1,012.7	(4.0%)
OCF	€ 420.2	€ 432.2	(2.8%)
OCF as a percentage of revenue	43.2%	42.7%	
Operating income as a percentage of revenue	3.2%	5.3%	
OCF Reconciliation			
Operating income	€ 31.2	€ 54.0	
Share-based compensation expense	0.7	2.7	
Depreciation and amortization	383.0	375.3	
Impairment, restructuring and other operating items, net	5.3	0.2	
OCF	€ 420.2	€ 432.2	

The table below highlights the categories of our property and equipment additions for the indicated periods and reconciles those additions to the capital expenditures that we present in our condensed consolidated statements of cash flows:

	Three months ended March 31,	
	2018	2017
	in millions, except % amounts	
Customer premises equipment	€ 57.4	€ 73.5
New build and upgrade	21.7	17.7
Capacity	51.4	69.8
Baseline	57.6	49.7
Product and enablers	6.9	3.3
Property and equipment additions	195.0	214.0
Assets acquired under capital-related vendor financing arrangements	(125.8)	(44.1)
Assets acquired under capital leases	(18.7)	—
Changes in liabilities related to capital expenditures	7.1	(13.7)
Total capital expenditures[28]	€ 57.6	€ 156.2
Property and equipment additions as a percentage of revenue	20.1%	21.1%

Third-Party Debt and Cash

The following table details the borrowing currency and euro equivalent of the nominal amount outstanding of VodafoneZiggo's consolidated third-party debt and cash (in millions).

	March 31, 2018				December 31, 2017	
	Borrowing currency		€ equivalent			
Senior Credit Facilities						
Term Loan E (LIBOR + 2.50%) USD due 2025	$	2,525.0	€	2,054.4	€	2,100.4
Term Loan F (EURIBOR + 3.00%) EUR due 2025	€	2,250.0		2,250.0		2,250.0
5.50% USD Senior Secured Proceeds Loan due 2027	$	2,000.0		1,627.2		1,663.7
3.75% EUR Senior Secured Proceeds Loan due 2025	€	800.0		800.0		800.0
4.625% EUR Senior Proceeds Loan due 2025	€	400.0		400.0		400.0
5.875% USD Senior Proceeds Loan due 2025	$	400.0		325.4		332.7
4.25% EUR Senior Proceeds Loan due 2027	€	775.0		775.0		775.0
6.00% USD Senior Proceeds Loan due 2027	$	625.0		508.5		519.9
€800.0 million Ziggo Revolving Facilities EUR due 2022				—		—
Elimination of the Proceeds Loans in consolidation				(4,436.1)		(4,491.3)
Total Senior Credit Facilities				4,304.4		4,350.4
Senior Secured Notes						
3.625% EUR Senior Secured Notes due 2020	€	71.7		71.7		71.7
3.75% EUR Senior Secured Notes due 2025	€	800.0		800.0		800.0
4.25% EUR Senior Secured Notes due 2027	€	775.0		775.0		775.0
5.50% USD Senior Secured Notes due 2027	$	2,000.0		1,627.2		1,663.7
Total Senior Secured Notes				3,273.9		3,310.4
Senior Notes						
7.125% EUR Senior Notes due 2024	€	743.1		743.1		743.1
4.625% EUR Senior Notes due 2025	€	400.0		400.0		400.0
5.875% USD Senior Notes due 2025	$	400.0		325.4		332.7
6.00% USD Senior Notes due 2027	$	625.0		508.5		519.9
Total Senior Notes				1,977.0		1,995.7
Vendor financing				822.4		750.4
Capital leases				19.0		—
Total third-party debt and capital lease obligations				10,396.7		10,406.9
Unamortized premiums, discounts and deferred financing costs, net				60.1		61.9
Total carrying amount of third-party debt and capital lease obligations				10,456.8		10,468.8
Less: cash				355.2		274.5
Net carrying amount of third-party debt and capital lease obligations[29]			€	10,101.6	€	10,194.3
Exchange rate ($ to €)				1.2291		1.2022

Covenant Debt Information

The following table details the euro equivalent of the reconciliation from VodafoneZiggo's consolidated third-party debt to the total covenant amount of third-party gross and net debt[30] and includes information regarding the projected principal-related cash flows of our cross-currency swap contracts. The euro equivalents presented below are based on exchange rates that were in effect as of March 31, 2018 and December 31, 2017. These amounts are presented for illustrative purposes only and will likely differ from the actual cash receipts in future periods.

	March 31, 2018	December 31, 2017
	in millions	
Total third-party debt and capital lease obligations (€ equivalent)	€ 10,396.7	€ 10,406.9
Vendor financing	(822.4)	(750.4)
Capital lease obligations	(19.0)	—
Projected principal-related cash payments associated with our cross-currency derivative instruments	155.0	53.8
Total covenant amount of third-party gross debt[30]	9,710.3	9,710.3
Less: cash	(355.2)	(274.5)
Total covenant amount of third-party net debt[30]	€ 9,355.1	€ 9,435.8

Contact Information

VodafoneZiggo Investor Relations:
Caspar Bos +31 88 717 4619

VodafoneZiggo Corporate Communications:
Hans den Heijer +31 88 717 0717

About VodafoneZiggo

VodafoneZiggo is a leading Dutch company that provides fixed, mobile and integrated communication and entertainment services to consumers and businesses. As of March 31, 2018, we have 5 million mobile, nearly 4 million video, over 3 million fixed broadband internet and approximately 2.5 million fixed telephony subscribers.

Approximately 8,000 people are employed by VodafoneZiggo. Our offices are located in Amsterdam, Utrecht, Maastricht, Heerhugowaard, Leeuwarden, Groningen, Zwolle, Zutphen, Nijmegen, Helmond, Eindhoven, Rotterdam, Rijswijk and The Hague.

The VodafoneZiggo JV is a joint venture between Liberty Global, the largest international TV and broadband internet company, and Vodafone Group, one of the world's largest telecommunication companies. Liberty Global develops market-leading products delivered through next-generation networks that connect over 22 million customers subscribing to 46 million TV, broadband internet and telephony services. Liberty Global also serves over 6 million mobile subscribers and offers WiFi service through 10 million access points across its footprint. Vodafone Group has mobile operations in 26 countries, partners with mobile networks in 49 more, and fixed broadband operations in 19 markets. As of December 31, 2017, Vodafone Group had 529.1 million mobile customers and 19.3 million fixed broadband customers.

APPENDIX

Impact of ASU 2014-09 on Revenue and OCF

We adopted ASU 2014-09 effective January 1, 2018. In the following table, we present certain statement of operations information for the three months ended March 31, 2018 and 2017 under Old GAAP along with the incremental impacts of adopting ASU 2014-09.

	Old GAAP			Impact of ASU 2014-09	
	Three months ended March 31,			Three months ended March 31,	
	2018	2017	Change	2018	2017
	in millions, except % amounts			in millions	
Total revenue[4]					
Consumer cable revenue[8]					
Subscription revenue	€ 526.6	€ 521.1	1.1%	€ (9.5)	€ 1.5
Non-subscription revenue	4.7	8.7	(46.0%)	€ (0.6)	€ (1.5)
Total consumer cable revenue	531.3	529.8	0.3%	(10.1)	—
Consumer mobile revenue[10]					
Service revenue	180.7	192.7	(6.2%)	€ (32.4)	€ (33.7)
Non-service revenue	30.6	33.5	(8.7%)	€ 25.5	€ 31.2
Total consumer mobile revenue	211.3	226.2	(6.6%)	(6.9)	(2.5)
Total consumer revenue	742.6	756.0	(1.8%)	(17.0)	(2.5)
B2B cable revenue[11]					
Subscription revenue	89.8	82.8	8.5%	€ 0.5	€ (0.1)
Non-subscription revenue	6.0	5.6	7.1%	€ 0.7	€ 0.9
Total B2B cable revenue	95.8	88.4	8.4%	1.2	0.8
B2B mobile revenue[12]					
Service revenue	119.7	141.6	(15.5%)	€ (7.5)	€ (9.8)
Non-service revenue	18.7	20.9	(10.5%)	€ 7.3	€ 6.6
Total B2B mobile revenue	138.4	162.5	(14.8%)	(0.2)	(3.2)
Total B2B revenue	234.2	250.9	(6.7%)	1.0	(2.4)
Other revenue[27]	11.4	10.7	6.5%	€ —	€ —
Total revenue	€ 988.2	€ 1,017.6	(2.9%)	€ (16.0)	€ (4.9)
OCF	€ 428.9	€ 431.4	(0.6%)	€ (8.7)	€ 0.8
OCF as a percentage of revenue	43.4%	42.4%			
Operating income as a percentage of revenue	4.0%	5.2%			
OCF Reconciliation					
Operating income	€ 39.9	€ 53.2			
Share-based compensation expense	0.7	2.7			
Depreciation and amortization	383.0	375.3			
Impairment, restructuring and other operating items, net	5.3	0.2			
OCF	€ 428.9	€ 431.4			

Footnotes

1. RGU is separately a Basic Video Subscriber, Enhanced Video Subscriber, Internet Subscriber or Telephony Subscriber (each as defined and described below). A home, residential multiple dwelling unit, or commercial unit may contain one or more RGUs. For example, if a residential customer in our market subscribed to our enhanced video service, fixed-line telephony service and broadband internet service, the customer would constitute three RGUs. Total RGUs is the sum of Basic Video, Enhanced Video, Internet and Telephony Subscribers. RGUs generally are counted on a unique premises basis such that a given premises does not count as more than one RGU for any given service. On the other hand, if an individual receives one of our services in two premises (e.g. a primary home and a vacation home), that individual will count as two RGUs for that service. Each bundled cable, internet or telephony service is counted as a separate RGU regardless of the nature of any bundling discount or promotion. Non-paying subscribers are counted as subscribers during their free promotional service period. Some of these subscribers may choose to disconnect after their free service period. Services offered without charge on a long-term basis (e.g., VIP subscribers, or free service to employees) generally are not counted as RGUs. We do not include subscriptions to mobile services in our externally reported RGU counts. In this regard, our March 31, 2018 RGU counts exclude our separately reported prepaid and postpaid mobile subscribers.

2. Converged customers represent customers who subscribe to both a fixed-line digital TV and internet service of at least 30Mbps and a Vodafone branded postpaid mobile subscription (Start, Red, Smart, Scherp or Black) telephony service.

3. Customer Churn represents the rate at which customers relinquish their subscriptions. The annual rolling average basis is calculated by dividing the number of disconnects during the preceding 12 months by the average number of fixed customer relationships. For the purpose of computing churn, a disconnect is deemed to have occurred if the customer no longer receives any level of service from us and is required to return our equipment. A partial product downgrade, typically used to encourage customers to pay an outstanding bill and avoid complete service disconnection is not considered to be disconnected for purposes of our churn calculations. Customers who move within our cable footprint and upgrades and downgrades between services are also excluded from the disconnect figures used in the churn calculation.

4. Beginning April 1, 2017, we changed the presentation of our revenue categories to align with VodafoneZiggo JV's internal classification of revenue. We also applied this change retroactively to the pro forma prior-year periods. Formerly, we presented revenue in the following categories: (i) subscription revenue, which included cable subscription revenue (excluding installation and late fees) and mobile service revenue (excluding, among other items, interconnect revenue, mobile handset and accessories sales, activation fees and late fees) to residential and SOHO customers; (ii) B2B revenue (excluding SOHO), which included revenue from business broadband internet, video, voice, mobile and data services offered to medium to large enterprises and, on a wholesale basis, to other operators; and (iii) other revenue. We now view mobile revenue as a separate major revenue category outside of cable revenue and we include SOHO revenue as part of B2B revenue within the applicable cable and mobile B2B categories. Following the change in our revenue presentation, our revenue categories are (a) consumer cable revenue, (b) consumer mobile revenue, (c) B2B cable revenue, (d) B2B mobile revenue, and (e) other revenue. See notes 8, 10, 11 and 12 for additional descriptions of the current revenue categories.

5. OCF is the primary measure used by our management to evaluate the operating performance of our businesses. OCF is also a key factor that is used by our management and our Supervisory Board to evaluate the effectiveness of our management for purposes of annual and other incentive compensation plans. As we use the term, OCF is defined as operating income before depreciation and amortization, share-based compensation, provisions and provision releases related to significant litigation and impairment, restructuring and other operating items. Other operating items include (i) gains and losses on the disposition of long-lived assets, (ii) third-party costs directly associated with successful and unsuccessful acquisitions and dispositions, including legal, advisory and due diligence fees, as applicable, and (iii) other acquisition-related items, such as gains and losses on the settlement of contingent consideration. Our internal decision maker believes OCF 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 (a) readily view operating trends, (b) perform analytical comparisons and benchmarking between entities and (c) identify strategies to improve operating performance. We believe our OCF 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. OCF should be viewed as a measure of operating performance that is a supplement to, and not a substitute for, operating income, net earnings or loss, cash flow from operating activities and other U.S. GAAP measures of income or cash flows. A reconciliation of operating income to OCF is presented under the *Financial Results, OCF Reconciliation & Property and Equipment Additions* section of this release.

6. 2018 Operating Cash Flow ("OCF") guidance includes shareholder charges (as further described in our 2017 annual report) and around €25 million of one-time integration costs. A reconciliation of our OCF guidance to a U.S. GAAP measure is not provided due to the fact that not all elements of the reconciliation are projected as part of our forecasting process, as certain items may vary significantly from one period to another. For the definition and reconciliation of OCF, see note 5.

   Effective January 1, 2018, we have adopted the new revenue recognition rules set forth in ASU 2014-09. Our original 2018 guidance for OCF and property and equipment additions as a percentage of revenue did not reflect the application of the new revenue recognition rules to our 2017 actual results or our 2018 forecasted results. We have subsequently re-evaluated the impacts of the new rules on our guidance prior to the release of our Q1 2018 results. The resulting changes are deemed immaterial in the context of the original guidance and we reiterate our "stabilizing OCF" guidance in comparison to our pro forma New GAAP 2017 results.

7. Expected cash returns to our shareholders includes payments for dividends and principal and interest on shareholder loans. Of note, this is in addition to the shareholder charges that we describe in our 2017 annual report.

8. Consumer cable revenue is classified as either subscription revenue or non-subscription revenue. Consumer cable subscription revenue includes revenue from subscribers for ongoing broadband internet, video, and voice services offered to residential customers. Following the adoption of ASU 2014-09, consumer cable subscription revenue excludes interconnect fees, channel carriage fees and late fees, but includes the amortization of installation fees. Prior to the adoption of 2014-09, installation fees were excluded from consumer cable subscription revenue.

9. Average Revenue Per Unit ("ARPU") refers to the average monthly subscription or service revenue, for either fixed or mobile services, respectively, per average fixed customer relationship or mobile subscriber, as applicable. Our ARPU per fixed cable subscriber is calculated separately for our residential ("consumer cable ARPU") and SOHO ("SOHO cable ARPU") subscribers by dividing the average applicable

monthly cable subscription revenue for the indicated period, by the average of the opening and closing balances for the fixed customer relationship for the period. Fixed customer relationships of entities acquired during the period are normalized. Our ARPU per mobile subscriber is calculated separately for our consumer ("mobile consumer postpaid ARPU") and B2B ("mobile B2B postpaid ARPU") subscribers. Our ARPU per mobile subscriber calculations refer to the average monthly mobile service and interconnect revenue per average mobile subscribers in service and are calculated by dividing the average monthly mobile service revenue including interconnect revenue for the indicated period, by the average of the opening and closing balances of mobile subscribers in service for the period. ARPU amounts for Q1 2017 are presented on a pro forma basis after giving effect to the adoption of ASU 2014-09 as if it had occurred on January 1, 2017.

10. Consumer mobile revenue is classified as either service revenue or non-service revenue. Consumer mobile service revenue includes revenue from ongoing mobile and data services offered under postpaid and prepaid arrangements to residential customers. Consumer mobile non-service revenue includes, among other items, interconnect revenue, mobile handset and accessories sales, and late fees.

11. B2B cable revenue is classified as either subscription revenue or non-subscription revenue. B2B cable subscription revenue includes revenue from business broadband internet, video, voice, and data services offered to SOHO, small and medium to large enterprises. B2B cable non-subscription revenue includes, among other items, revenue from hosting services, installation fees, carriage fees and interconnect.

12. B2B mobile revenue is classified as either service revenue or non-service revenue. B2B mobile service revenue includes revenue from ongoing mobile and data services offered to SOHO, small and medium to large enterprise customers. B2B mobile non-service revenue includes, among other items, interconnect revenue, mobile handset and accessories sales, and late fees.

13. The financial figures contained in this release are prepared in accordance accounting principles generally accepted in the United States ("U.S. GAAP").

14. Property and equipment additions include capital expenditures on an accrual basis, amounts financed under vendor financing or capital lease arrangements and other non-cash additions.

15. Our fully-swapped third-party debt borrowing cost represents the weighted average interest rate on our aggregate variable- and fixed-rate indebtedness (excluding capital leases and vendor financing obligations), including the effects of derivative instruments and commitment fees, but excluding the impact of financing costs.

16. Homes Passed are homes, residential multiple dwelling units or commercial units that can be connected to our networks without materially extending the distribution plant. Our Homes Passed counts are based on internally maintained databases of connected addresses, which are updated monthly. Due to the fact that we do not own the partner networks, we do not report homes passed for partner networks.

17. Two-way Homes Passed are Homes Passed by those sections of our networks that are technologically capable of providing two-way services, including video, internet and telephony services.

18. Basic Video Subscriber is a home, residential multiple dwelling unit or commercial unit that receives our video service over our broadband network either via an analog video signal or via a digital video signal without subscribing to any recurring monthly service that requires the use of encryption-enabling technology. Encryption-enabling technology includes smart cards, or other integrated or virtual technologies that we use to provide our enhanced service offerings. We count RGUs on a unique premises basis. In other words, a subscriber with multiple outlets in one premises is counted as one RGU and a subscriber with two homes and a subscription to our video service at each home is counted as two RGUs.

19. Enhanced Video Subscriber is a home, residential multiple dwelling unit or commercial unit that receives our video service over our broadband network or through a partner network via a digital video signal while subscribing to any recurring monthly service that requires the use of encryption-enabling technology. Enhanced Video Subscribers are counted on a unique premises basis. For example, a subscriber with one or more set-top boxes that receives our video service in one premises is generally counted as just one subscriber. An Enhanced Video Subscriber is not counted as a Basic Video Subscriber. As we migrate customers from basic to enhanced video services, we report a decrease in our Basic Video Subscribers equal to the increase in our Enhanced Video Subscribers. Subscribers to enhanced video services provided by our operations over partner networks receive basic video services from the partner networks as opposed to our operations.

20. Internet Subscriber is a home, residential multiple dwelling unit or commercial unit that receives internet services over our networks, or that we service through a partner network.

21. Telephony Subscriber is a home, residential multiple dwelling unit or commercial unit that receives voice services over our networks, or that we service through a partner network. Telephony Subscribers exclude mobile telephony subscribers.

22. Enhanced video penetration is calculated by dividing the number of enhanced video subscribers by the total number of basic and enhanced video subscribers.

23. Internet and telephony penetration is calculated by dividing the number of internet RGUs and telephony RGUs, respectively, by total Two-way Homes Passed.

24. Fixed Customer Relationships are the number of customers who receive at least one of our video, internet or telephony services that we count as Revenue Generating Units ("RGUs"), without regard to which or to how many services they subscribe. Fixed 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 Customer Relationships. We exclude mobile-only customers from Fixed Customer Relationships.

25. Our mobile subscriber count represents the number of active subscriber identification 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 (mobile broadband or secondary SIM) would be counted as two mobile subscribers. Our mobile subscriber count includes both prepaid and postpaid plans. Customers who do not pay a recurring monthly fee are excluded from our prepaid mobile telephony subscriber counts after a period of inactivity of 15 months.

26. The 2017 figures are presented on a pro forma basis to give effect to the implementation of ASU 2014-09 as if it had occurred on January 1, 2017.

27. Other revenue includes, among other items, programming and advertising revenue and revenue related to certain personnel services provided to Vodafone and Liberty Global.

28. The capital expenditures that we report in our condensed consolidated statements of cash flows do not include amounts that are financed under vendor financing or capital lease arrangements. Instead, these expenditures are reflected as non-cash additions to our property and equipment when the underlying assets are delivered, and as repayments of debt when the related principal is repaid.

29. Net third-party debt is not a defined term under U.S. GAAP and may not therefore be comparable with other similarly titled measures reported by other companies.

30. Total covenant amount of third-party gross debt is the euro equivalent of the nominal amount outstanding of our third-party debt less (i) vendor financing, (ii) capital lease obligations and (iii) the projected principal-related cash flows associated with our cross-currency derivative instruments. These projected cash flows are presented for illustrative purposes only and will likely differ from the actual cash receipts or payments in future periods. A reconciliation of total third-party debt to total covenant amount of third-party gross and net debt is provided under the *Covenant Debt Information* section of this release.

Additional General Notes:

Certain of our B2B revenue is derived from SOHO and Small Business subscribers. SOHO subscribers pay a premium price to receive enhanced service levels along with video, internet or telephony services that are the same or similar to the mass marketed products offered to our residential subscribers. Small Business customers receive video, internet or telephony services that are similar to our SOHO product offerings with additional optional functionality such as static IP addresses, hosted VoIP, or Multi Wifi. The Small Business product offerings come at a premium price compared to the business products we offer to our SOHO customers. All mass marketed products provided to SOHO and Small Business customers, whether or not accompanied by enhanced service levels and/or premium prices, are included in the respective RGU and customer counts of our broadband communications operation, with only those services provided at premium prices considered to be “SOHO RGUs”, "Small Business RGUs" or “SOHO customers”, "Small Business customers". To the extent our existing customers upgrade from a residential product offering to a SOHO or Small Business product offering, the number of SOHO or Small Business RGUs or SOHO or Small Business customers will increase, but there is no impact to our total RGU or customer counts. We began including Small Business customers and Small Business RGUs in our external reporting in Q1 2018. In this regard, our subscriber statistics as of March 31, 2018 and March 31, 2017 include 27,000 and 23,000 Small Business customers, respectively, and 54,000 and 46,000 Small Business RGUs, respectively. With the exception of our B2B SOHO and Small Business subscribers, we generally do not count customers of B2B services as customers or RGUs for external reporting purposes.

While we take appropriate steps to ensure that subscriber statistics are presented on a consistent and accurate basis at any given balance sheet date, the variability in (i) the nature and pricing of products and services, (ii) the distribution platform, (iii) billing systems, (iv) bad debt collection experience and (v) other factors add complexity to the subscriber counting process. We periodically review our subscriber counting policies and underlying systems to improve the accuracy and consistency of the data reported on a prospective basis. Accordingly, we may from time to time make appropriate adjustments to our subscriber statistics based on those reviews.