# VodafoneZiggo Reports Preliminary Q4 2018 Results

## Achieved all Full-Year 2018 Guidance Supported by 6.5% OCF Growth in Q4; Setting the Stage for Good Momentum into 2019

**Utrecht, the Netherlands** — February 27, 2019: 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 ("Q4") and full year ("FY") ended December 31, 2018, as compared to the results for the same periods 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 December 31, 2018 audited consolidated financial statements prior to the end of March 2019, at which time the report will be posted to our website. To provide comparability, unless otherwise indicated, our results for the 2017 periods herein have been presented on a pro forma basis under "New GAAP[1]".

**Highlights for Q4 and FY 2018:**

- FY 2018 financial guidance achieved (on an old GAAP basis):
    - OCF[2] growth of 2% vs guidance[3] of stabilizing OCF
    - Property and equipment additions[4] at 21% of revenue vs guidance of 20% to 22%
    - Total cash returns to shareholders[5] of €701 million vs guidance of at least €700 million
- Rapid adoption of convergence offers with 59,000 new converged[6] households and 88,000 new converged SIMs added in Q4. In total 183,000 converged households and 294,000 converged SIMs were added in FY 2018
    - Over the past two years, we have converged 32% of our broadband base and 50% of our eligible mobile base, which has contributed to a three percentage point reduction in Consumer mobile postpaid customer churn[7] YoY
- Commercial momentum in mobile remained strong with 51,000 new postpaid customers added in Q4, matching our Q3 result, which represents consecutive quarters of our best performance since the formation of the JV. Fixed RGUs[8] declined by 33,000 in Q4, of which 22,000 were low ARPU telephony
- Revenue showed further signs of stabilization, remaining flat YoY at €993 million in Q4, as compared to a 1% YoY decline in Q3. FY 2018 revenue declined 2% to €3,895 million
- Q4 operating income increased €21 million YoY to €36 million. FY 2018 operating income declined €83 million to €111 million
- Q4 OCF grew 6.5% to €417 million, marking best quarterly growth rate since the formation of the JV, as the result of stable revenue and a decrease in certain operating costs supported by ongoing cost synergy realization. FY 2018 OCF grew by 0.5% to €1,701 million
- Integration on-track: approximately 50% of targeted €210 million of cost synergies captured with majority related to operating costs
- 2019 guidance: between 1% and 3% OCF growth and total expected cash returns between €400 million and €600 million in the form of dividends and principal and interest payments on shareholders loans
- Reference offer document with interim tariffs for wholesale cable access published. Appeal has been filed with the Dutch Industry & Trade Tribunal

**Jeroen Hoencamp, VodafoneZiggo CEO, commented:**

“We have ended the year on a positive note, achieving all of our 2018 financial guidance targets. Our convergence strategy continues to gain traction as we reached over one million converged households during the year, realizing significant benefits for NPS and churn. Together with much improved mobile trends and our successful integration efforts, this supported a stable OCF performance for the year as a whole, including a return to robust OCF growth in Q4. Looking ahead, we remain highly focused on improving our customers' experience through the launch of an advanced new TV platform and 5G showcase trials. We intend to explore potential monetization opportunities for our mobile towers portfolio. And we continue the efforts needed to prepare cable wholesale offers, while taking all appropriate legal steps to overturn the ACM ruling, which we believe is unnecessary and disproportionate. We expect to maintain good commercial and financial momentum in 2019, with OCF growth between 1% and 3% despite the significant costs associated with the switch-off of analogue TV signals as we prepare for the 2020 rollout of gigabit broadband services. Together with sustained network investments, this will enable total cash returns to our shareholders of between €400 million and €600 million.”

**Consumer performance for Q4 and FY 2018:**

Total consumer revenue decreased by 0.5% in Q4 and 1% in FY 2018

Fixed:

Consumer cable revenue[9] decreased by 1% in Q4 and 1.5% in FY 2018

- The €4 million decline in Q4 was the net result of (i) a price increase implemented in July, (ii) an increase in converged discounts, (iii) a reduction in telephony and video-on-demand usage, and (iv) lower average RGUs YoY
- Internet and enhanced video RGUs declined by 2,000 and 9,000, respectively, in Q4 due to increased competition. In total, we added 18,000 new broadband customers in FY 2018
- Q4 consumer cable ARPU[10] increased 1% YoY to €47
- 110,000 new Ziggo Mediabox XL customers were added in FY 2018 (18,000 in Q4), bringing total penetration of our enhanced video base to 42%. During FY 2018, 300,000 new customers downloaded and actively used Ziggo GO (our multi-screen video app). In total, we reached 1.5 million active users by the end of Q4
- Our new 4K next-generation TV entertainment platform is planned for launch in Q1 2019

Mobile:

Consumer mobile revenue[11] was flat YoY in both Q4 and FY 2018

- This is primarily the net result of a higher customer base offset by a reduction in handset sales
- 26,000 mobile postpaid SIMs were added in Q4, almost double the prior-year period. FY 2018 net customer additions of 100,000 were significantly higher than the prior year of 21,000, due in part to our converged strategy
- Q4 consumer postpaid ARPU increased 5% YoY to €22

**Business performance for Q4 and FY 2018:**

Total B2B revenue stabilized in Q4 as revenue growth in fixed fully offset the decline in mobile. However, total B2B revenue declined by 5% in FY 2018

Fixed:

B2B cable revenue[12] increased by 8% in Q4 and 7% in FY 2018

- Demand for our Business Internet Pro and Unified Communication products continued to grow
- 14,000 fixed SOHO ("Small Office Home Office") and Small Business RGUs were added in Q4 supported by our 2-month free Try & Buy campaign. A total of 64,000 fixed SOHO and Small Business RGUs were added in FY 2018
- Q4 SOHO cable ARPU decreased 3% YoY to €58

Mobile:

B2B mobile revenue[13] decreased by 6% in Q4 and 13% in FY 2018

- The €9 million revenue decline in Q4 was significantly better than Q3, which declined by €20 million. This reflected the lapping of Red Pro price changes introduced in November 2016 and improved net additions. However, Q4 was still negatively impacted by adverse pricing trends in the market
- 24,000 postpaid customers were added in Q4, representing our best quarterly result in three years contributing to total net additions of 58,000 for FY 2018
- Q4 mobile B2B postpaid ARPU decreased 10% YoY to €22

**Financial highlights for Q4 and FY 2018[1]:**

In Q4, revenue stabilized while OCF and operating income increased by 6.5% and 139%, respectively. For FY 2018, revenue and operating income declined by 2% and 43% respectively, however OCF returned to growth of 0.5%

- Revenue remained stable YoY at €993 million in Q4 and declined by €79 million or 2% on a FY basis. The FY decline was primarily driven by regulatory headwinds in mobile in the first half year of 2018
- We reported operating income of €36 million and €111 million for Q4 and FY 2018, respectively, as compared to €15 million and €193 million in the corresponding prior year periods. The Q4 increase was mainly driven by an increase in OCF. The FY decline was primarily the result of (i) an increase in depreciation and amortization expense resulting from higher capital expenditures and accelerated depreciation associated with the reduction of office locations as a part of our integration efforts and (ii) an increase in restructuring charges in 2018
- Q4 OCF increased 6.5% YoY to €417 million, representing two consecutive quarters of growth. On a FY basis, OCF increased 0.5% YoY to €1,701 million
    - Our Q4 OCF growth was a result of stable revenue and a decrease in certain operating costs supported by ongoing cost synergy realization
    - Integration expenses were €10 million and €20 million for Q4 and FY 2018, respectively, as compared to €9 million and €24 million in prior-year periods
- As highlighted in the Appendix, under Old GAAP our revenue returned to growth with 1% in Q4 and declined by 1% for FY 2018. Our operating income increased in Q4 to €37 million and declined to €131 million for FY 2018. OCF grew by 8% in Q4 and 2% in FY 2018 as compared to the prior year periods. The differences under ASU 2014-09 are mainly due to the net impact of recognizing handset sales upfront and recognizing certain sales commissions over time under the new standard

- Property and equipment additions were 26% of revenue in Q4 and 21.5% in FY 2018
    - Q4 expenditures were €14 million higher as compared to Q4 2017 primarily as the net result of (i) an increase associated with customer premises equipment, (ii) higher network expansion (capacity) expenditures in both fixed and mobile, and (iii) a decrease associated with fixed network equipment
    - FY 2018 expenditures were €10 million higher as compared to 2017 primarily as the net result of (i) an increase in network expansion (new build and capacity) in both fixed and mobile, (ii) an increase in spend on integration related projects (baseline), and (iii) lower customer premises equipment and related installation costs driven by lower sales volumes and higher re-deployment volumes
    - Integration-related additions (baseline) amounted to €27 million in Q4, as compared to €34 million in Q3, bringing total spend to €103 million in FY 2018
- At December 31, 2018, our fully-swapped third-party debt borrowing cost[14] was 4.6% and the average tenor of our third-party debt (excluding vendor financing) was 6.7 years
- At December 31, 2018, total third-party debt (excluding vendor financing and capital lease obligations) was €9.9 billion, up from €9.8 billion at September 30, 2018. For information concerning the debt balances used in our covenant calculations, see Covenant Debt Information below
- During the quarter, our cash returns to shareholders included €200 million principal repayment of the shareholder loans, €25.5 million of interest on the Shareholder Notes and €75 million of dividends. Our FY 2018 cash returns to shareholders aggregated to €701 million
- At December 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 3.79x and (ii) the ratio of Total Net Debt to Annualized EBITDA (last two quarters annualized) was 4.83x, 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 5.34x at December 31, 2018
- At December 31, 2018, we had maximum undrawn commitments of €800 million. When our Q4 compliance reporting requirements have been completed and assuming no changes from December 31, 2018 borrowing levels, we anticipate that we will continue to have €800 million of our unused commitments available to be drawn

**Financial guidance for FY 2019:**

For the calendar year 2019 we expect:

- Between 1% and 3% OCF growth, including around €10 million non-recurring integration costs
- Property and equipment additions as a percentage of revenue of around 21%, including integration-related additions of approximately €80 million
- Total cash return to shareholders between €400 million and €600 million in the form of dividends and principal and interest payments on shareholders loans

## Operating Statistics Summary

| | As of and for the three months ended December 31, 2018 | 2017 |
|---|---|---|
| **Footprint** | | |
| Homes Passed[15] | 7,199,000 | 7,140,000 |
| Two-way Homes Passed[16] | 7,185,100 | 7,129,400 |
| **Subscribers (RGUs)** | | |
| Basic Video[17] | 517,700 | 576,300 |
| Enhanced Video[18] | 3,385,000 | 3,366,100 |
| Total Video | 3,902,700 | 3,942,400 |
| Internet[19] | 3,317,200 | 3,266,800 |
| Telephony[20] | 2,499,600 | 2,551,400 |
| Total RGUs | 9,719,500 | 9,760,600 |
| **Q4 Organic RGU Net Additions (Losses)** | | |
| Basic Video | (12,500) | (15,500) |
| Enhanced Video | (4,200) | 15,000 |
| Total Video | (16,700) | (500) |
| Internet | 5,400 | 24,700 |
| Telephony | (21,900) | 1,700 |
| Total organic RGU net additions (losses) | (33,200) | 25,900 |
| **Fixed Customer Relationships** | | |
| Fixed Customer Relationships[21] | 3,876,600 | 3,920,000 |
| RGUs per Fixed Customer Relationship | 2.51 | 2.49 |
| Q4 Monthly ARPU[10] per Fixed Customer Relationship | € 46 | € 46 |
| **Fixed Customer Bundling** | | |
| Single-Play | 15.0% | 17.1% |
| Double-Play | 20.9% | 18.2% |
| Triple-Play | 64.1% | 64.7% |
| **Mobile SIMs[22]** | | |
| Postpaid | 4,215,000 | 4,055,700 |
| Prepaid | 751,000 | 830,000 |
| Total Mobile | 4,966,000 | 4,885,700 |
| Q4 organic Postpaid net additions | 50,600 | 9,500 |
| Q4 organic Prepaid net additions (losses) | 9,500 | (74,600) |
| Total organic Mobile net additions (losses) | 60,100 | (65,100) |
| Q4 Monthly Mobile ARPU[10] | | |
| Postpaid (including interconnect revenue) | € 22 | € 22 |
| Prepaid (including interconnect revenue) | € 3 | € 3 |
| **Convergence** | | |
| Converged[6] Households | 1,059,000 | 876,000 |
| Converged[6] SIMs | 1,540,000 | 1,246,000 |
| Converged Households as % of Internet RGUs | 32% | 27% |

## Financial Results, OCF Reconciliation & Property and Equipment Additions

The following table reflects preliminary unaudited selected financial results for the three months and year ended December 31, 2018 and 2017. Information for the three months and year ended December 31, 2018 and 2017 under Old GAAP is presented in the Appendix.

| | Three months ended December 31, | | | Year ended December 31, | | |
|---|---|---|---|---|---|---|
| | | Pro Forma[1] | | | Pro Forma[1] | |
| | 2018 | 2017* | Change | 2018 | 2017* | Change |
| | in millions, except % amounts | | | | | |
| **Total revenue** | | | | | | |
| **Consumer cable revenue[9]** | | | | | | |
| *Subscription revenue* | € 495.9 | € 500.0 | (0.8%) | € 1,980.3 | € 2,006.6 | (1.3%) |
| *Non-subscription revenue* | 4.8 | 4.8 | —% | 17.8 | 22.8 | (21.9%) |
| Total consumer cable revenue | 500.7 | 504.8 | (0.8%) | 1,998.1 | 2,029.4 | (1.5%) |
| **Consumer mobile revenue[11]** | | | | | | |
| *Service revenue* | 172.9 | 160.7 | 7.6% | 669.5 | 640.4 | 4.5% |
| *Non-service revenue* | 55.1 | 66.8 | (17.5%) | 215.5 | 243.7 | (11.6%) |
| Total consumer mobile revenue | 228.0 | 227.5 | 0.2% | 885.0 | 884.1 | 0.1% |
| Total consumer revenue | 728.7 | 732.3 | (0.5%) | 2,883.1 | 2,913.5 | (1.0%) |
| **B2B cable revenue[12]** | | | | | | |
| *Subscription revenue* | 105.1 | 97.7 | 7.6% | 407.1 | 376.1 | 8.2% |
| *Non-subscription revenue* | 7.4 | 6.4 | 15.6% | 24.3 | 27.4 | (11.3%) |
| Total B2B cable revenue | 112.5 | 104.1 | 8.1% | 431.4 | 403.5 | 6.9% |
| **B2B mobile revenue[13]** | | | | | | |
| *Service revenue* | 110.0 | 117.5 | (6.4%) | 430.8 | 506.2 | (14.9%) |
| *Non-service revenue* | 28.6 | 29.6 | (3.4%) | 100.0 | 105.0 | (4.8%) |
| Total B2B mobile revenue | 138.6 | 147.1 | (5.8%) | 530.8 | 611.2 | (13.2%) |
| Total B2B revenue | 251.1 | 251.2 | —% | 962.2 | 1,014.7 | (5.2%) |
| Other revenue[23] | 13.0 | 12.9 | 0.8% | 50.1 | 46.3 | 8.2% |
| Total revenue | € 992.8 | € 996.4 | (0.4%) | € 3,895.4 | € 3,974.5 | (2.0%) |
| OCF | € 416.8 | € 391.5 | 6.5% | € 1,701.1 | € 1,692.1 | 0.5% |
| OCF as a percentage of revenue | 42.0% | 39.3% | | 43.7% | 42.6% | |
| Operating income as a percentage of revenue | 3.6% | 1.5% | | 2.8% | 4.9% | |
| **OCF Reconciliation** | | | | | | |
| Operating income | € 36.1 | € 15.1 | | € 110.6 | € 193.1 | |
| Share-based compensation expense | 0.6 | 0.2 | | 2.8 | 5.3 | |
| Depreciation and amortization | 387.3 | 369.1 | | 1,552.0 | 1,486.1 | |
| Impairment, restructuring and other operating items, net | (7.2) | 7.1 | | 35.7 | 7.6 | |
| OCF | € 416.8 | € 391.5 | | € 1,701.1 | € 1,692.1 | |

* Certain of our 2017 revenue amounts have been reclassified to conform to the net presentation reflected in the revenue we report for the 2018 periods

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 consolidated statements of cash flows:

| | Three months ended December 31, | | Year ended December 31, | |
|---|---|---|---|---|
| | 2018 | 2017 | 2018 | 2017 |
| | in millions, except % amounts | | | |
| Customer premises equipment | € 60.7 | € 50.6 | € 203.3 | € 261.5 |
| New build and upgrade | 34.9 | 32.1 | 110.4 | 88.2 |
| Capacity | 101.0 | 88.1 | 275.1 | 264.7 |
| Baseline | 52.8 | 61.8 | 218.5 | 188.5 |
| Product and enablers | 9.0 | 11.4 | 29.5 | 24.0 |
| Property and equipment additions[4] | 258.4 | 244.0 | 836.8 | 826.9 |
| Assets acquired under capital-related vendor financing arrangements | (172.7) | (95.7) | (572.7) | (330.6) |
| Assets acquired under capital leases | (1.8) | — | (23.5) | — |
| Changes in liabilities related to capital expenditures | (48.7) | (11.7) | (27.1) | (1.1) |
| Total capital expenditures[24] | € 35.2 | € 136.6 | € 213.5 | € 495.2 |
| Property and equipment additions as a percentage of revenue[1] | 26.0% | 24.5% | 21.5% | 20.8% |

## 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.

| | December 31, 2018 | | | September 30, 2018 |
|---|---|---|---|---|
| | Borrowing currency | | € equivalent | |
| | | | in millions | |
| **Credit Facilities** | | | | |
| Term Loan E (LIBOR + 2.50%) USD due 2025 | $ | 2,525.0 | € 2,205.0 | € 2,174.1 |
| Term Loan F (EURIBOR + 3.00%) EUR due 2025 | € | 2,250.0 | 2,250.0 | 2,250.0 |
| €800.0 million Ziggo Revolving Facilities EUR due 2022 | | | — | — |
| Total Credit Facilities | | | 4,455.0 | 4,424.1 |
| **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 |
| 5.50% USD Senior Secured Notes due 2027 | $ | 2,000.0 | 1,746.5 | 1,722.0 |
| 4.25% EUR Senior Secured Notes due 2027 | € | 775.0 | 775.0 | 775.0 |
| Total Senior Secured Notes | | | 3,393.2 | 3,368.7 |
| **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 | 349.3 | 344.4 |
| 6.00% USD Senior Notes due 2027 | $ | 625.0 | 545.8 | 538.1 |
| Total Senior Notes | | | 2,038.2 | 2,025.6 |
| | | | | |
| Vendor financing | | | 999.3 | 952.0 |
| Capital leases | | | 18.5 | 19.0 |
| **Total third-party debt and capital lease obligations** | | | 10,904.2 | 10,789.4 |
| Unamortized premiums, discounts and deferred financing costs, net | | | 47.7 | 51.5 |
| **Total carrying amount of third-party debt and capital lease obligations** | | | 10,951.9 | 10,840.9 |
| Less: cash | | | 239.4 | 325.7 |
| **Net carrying amount of third-party debt and capital lease obligations**[25] | | | € 10,712.5 | € 10,515.2 |
| | | | | |
| Exchange rate ($ to €) | | | 1.1451 | 1.1614 |

## 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[26] and net debt[25] and includes information regarding the projected principal-related cash flows of our cross-currency derivative instruments. The euro equivalents presented below are based on exchange rates that were in effect as of December 31, 2018 and September 30, 2018. These amounts are presented for illustrative purposes only and will likely differ from the actual cash receipts in future periods.

| | December 31, 2018 | September 30, 2018 |
|---|---|---|
| | in millions | |
| **Total third-party debt and capital lease obligations (€ equivalent)** | € 10,904.2 | € 10,789.4 |
| Vendor financing | (999.3) | (952.0) |
| Capital lease obligations | (18.5) | (19.0) |
| Projected principal-related cash payments associated with our cross-currency derivative instruments | (176.1) | (108.1) |
| **Total covenant amount of third-party gross debt[26]** | 9,710.3 | 9,710.3 |
| Less: cash | (239.4) | (325.7) |
| **Total covenant amount of third-party net debt[25]** | € 9,470.9 | € 9,384.6 |

## Forward-Looking Statements

This press release contains forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements with respect to our strategies, future financial and operational growth prospects and opportunities; expectations with respect to our OCF and cash returns to our shareholders; expectations with respect to the development, enhancement and expansion of our superior networks and innovative and advanced products and services, including the launch of Horizon 4 and roll out of 1 Gigabit network by 2020; expectations regarding the availability of mobile devices with 1 Gbps+ download speeds; expectations with respect to synergies; the strength of our balance sheet and tenor of our third-party debt; and other information and statements that are not historical fact. These forward-looking statements involve certain risks and uncertainties that could cause actual results to differ materially from those expressed or implied by these statements. These risks and uncertainties include events that are outside of our control, such as the continued use by subscribers and potential subscribers of our services and their willingness to upgrade to our more advanced offerings; our ability to meet challenges from competition, to manage rapid technological change or to maintain or increase rates to our subscribers or to pass through increased costs to our subscribers; the effects of changes in laws or regulation; general economic factors; our ability to obtain regulatory approval and satisfy regulatory conditions associated with acquisitions and dispositions; our ability to successfully acquire and integrate new businesses and realize anticipated efficiencies from the combination of Vodafone Netherlands and Ziggo as well as any acquired businesses; the availability of attractive programming for our video services and the costs associated with such programming; our ability to achieve forecasted financial and operating targets; the outcome of any pending or threatened litigation; the ability of our operating companies to access cash of their respective subsidiaries; the impact of our operating companies' future financial performance, or market conditions generally, on the availability, terms and deployment of capital; fluctuations in currency exchange and interest rates; the ability of suppliers and vendors to timely deliver quality products, equipment, software, services and access; our ability to adequately forecast and plan future network requirements including the costs and benefits associated with network expansions; and other factors detailed from time to time in our most recent Annual and Quarterly Reports. These forward-looking statements speak only as of the date of this release. We expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein to reflect any change in our expectations with regard thereto or any change in events, conditions or circumstances on which any such statement is based.

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## About VodafoneZiggo

VodafoneZiggo is a leading Dutch company that provides fixed, mobile and integrated communication and entertainment services to consumers and businesses. As of December 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 Utrecht, Amsterdam, Maastricht, Hilversum, Leeuwarden, Groningen, Zwolle, Nijmegen, Helmond, Eindhoven, Rotterdam en Rijswijk

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 is the world's largest international TV and broadband company, with operations in 10 European countries under the consumer brands Virgin Media, Unitymedia, Telenet and UPC. Liberty Global develops market-leading products delivered through next-generation networks that connect 21 million customers subscribing to 45 million TV, broadband internet and telephony services. Liberty Global also serves 6 million mobile subscribers and offers WiFi service through 12 million access points across its footprint.* In addition, Liberty Global owns significant investments in ITV, All3Media, ITI Neovision, LionsGate, the Formula E racing series and several regional sports networks.Vodafone Group has mobile operations in 25 countries, partners with mobile networks in 46 more, and fixed broadband operations in 18 markets. As of December 31, 2018, Vodafone Group had approximately 700 million mobile customers and 21 million fixed broadband customers, including all of the customers in Vodafone's joint ventures and associates.

* The Liberty Global figures included in this paragraph include both the continuing and discontinued operations that Liberty Global owned on December 31, 2018

# APPENDIX

## Impact of ASU 2014-09 on Revenue and OCF

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

| | Old GAAP | | | Impact of ASU 2014-09 | |
|---|---|---|---|---|---|
| | Three months ended December 31, | | | Three months ended December 31, | |
| | 2018 | 2017* | Change | 2018 | 2017 |
| | in millions, except % amounts | | | | |
| **Total revenue** | | | | | |
| **Consumer cable revenue[9]** | | | | | |
| *Subscription revenue* | € 524.5 | € 515.8 | 1.7% | € (28.6) | € (15.8) |
| *Non-subscription revenue* | 5.4 | 5.2 | 3.8% | (0.6) | (0.4) |
| Total consumer cable revenue | 529.9 | 521.0 | 1.7% | (29.2) | (16.2) |
| **Consumer mobile revenue[11]** | | | | | |
| *Service revenue* | 179.8 | 181.4 | (0.9%) | (6.9) | (20.7) |
| *Non-service revenue* | 32.6 | 34.4 | (5.2%) | 22.5 | 32.4 |
| Total consumer mobile revenue | 212.4 | 215.8 | (1.6%) | 15.6 | 11.7 |
| Total consumer revenue | 742.3 | 736.8 | 0.7% | (13.6) | (4.5) |
| **B2B cable revenue[12]** | | | | | |
| *Subscription revenue* | 105.3 | 98.5 | 6.9% | (0.2) | (0.8) |
| *Non-subscription revenue* | 7.5 | 6.0 | 25.0% | (0.1) | 0.4 |
| Total B2B cable revenue | 112.8 | 104.5 | 7.9% | (0.3) | (0.4) |
| **B2B mobile revenue[13]** | | | | | |
| *Service revenue* | 115.1 | 124.5 | (7.6%) | (5.1) | (7.0) |
| *Non-service revenue* | 22.5 | 20.9 | 7.7% | 6.1 | 8.7 |
| Total B2B mobile revenue | 137.6 | 145.4 | (5.4%) | 1.0 | 1.7 |
| Total B2B revenue | 250.4 | 249.9 | 0.2% | 0.7 | 1.3 |
| Other revenue[23] | 13.0 | 12.9 | 0.8% | — | — |
| Total revenue | € 1,005.7 | € 999.6 | 0.6% | € (12.9) | € (3.2) |
| OCF | € 417.5 | € 385.4 | 8.3% | € (0.7) | € 6.1 |
| OCF as a percentage of revenue | 41.5% | 38.6% | | | |
| Operating income as a percentage of revenue | 3.7% | 0.9% | | | |
| **OCF Reconciliation** | | | | | |
| Operating income | € 36.8 | € 9.0 | | | |
| Share-based compensation expense | 0.6 | 0.2 | | | |
| Depreciation and amortization | 387.3 | 369.1 | | | |
| Impairment, restructuring and other operating items, net | (7.2) | 7.1 | | | |
| OCF | € 417.5 | € 385.4 | | | |

* Certain of our 2017 revenue amounts have been reclassified to conform to the net presentation reflected in the revenue we report for the 2018 periods

| | Old GAAP | | | Impact of ASU 2014-09 | |
|---|---|---|---|---|---|
| | Year ended December 31, | | | Year ended December 31, | |
| | 2018 | 2017* | Change | 2018 | 2017[1] |
| | in millions, except % amounts | | | | |
| **Total revenue** | | | | | |
| **Consumer cable revenue[9]** | | | | | |
| *Subscription revenue* | € 2,075.1 | € 2,042.8 | 1.6% | € (94.8) | € (36.2) |
| *Non-subscription revenue* | 20.2 | 26.6 | (24.1%) | (2.4) | (3.8) |
| Total consumer cable revenue | 2,095.3 | 2,069.4 | 1.3% | (97.2) | (40.0) |
| **Consumer mobile revenue[11]** | | | | | |
| *Service revenue* | 720.2 | 744.4 | (3.3%) | (50.7) | (104.0) |
| *Non-service revenue* | 117.2 | 128.9 | (9.1%) | 98.3 | 114.8 |
| Total consumer mobile revenue | 837.4 | 873.3 | (4.1%) | 47.6 | 10.8 |
| Total consumer revenue | 2,932.7 | 2,942.7 | (0.3%) | (49.6) | (29.2) |
| **B2B cable revenue[12]** | | | | | |
| *Subscription revenue* | 409.7 | 376.9 | 8.7% | (2.6) | (0.8) |
| *Non-subscription revenue* | 24.1 | 25.0 | (3.6%) | 0.2 | 2.4 |
| Total B2B cable revenue | 433.8 | 401.9 | 7.9% | (2.4) | 1.6 |
| **B2B mobile revenue[13]** | | | | | |
| *Service revenue* | 459.8 | 526.9 | (12.7%) | (29.0) | (20.7) |
| *Non-service revenue* | 75.9 | 77.5 | (2.1%) | 24.1 | 27.5 |
| Total B2B mobile revenue | 535.7 | 604.4 | (11.4%) | (4.9) | 6.8 |
| Total B2B revenue | 969.5 | 1,006.3 | (3.7%) | (7.3) | 8.4 |
| Other revenue[23] | 50.1 | 46.3 | 8.2% | — | — |
| Total revenue | € 3,952.3 | € 3,995.3 | (1.1%) | € (56.9) | € (20.8) |
| OCF | € 1,721.8 | € 1,691.6 | 1.8% | € (20.7) | € 0.5 |
| OCF as a percentage of revenue | 43.6% | 42.3% | | | |
| Operating income as a percentage of revenue | 3.3% | 4.8% | | | |
| **OCF Reconciliation** | | | | | |
| Operating income | € 131.3 | € 192.6 | | | |
| Share-based compensation expense | 2.8 | 5.3 | | | |
| Depreciation and amortization | 1,552.0 | 1,486.1 | | | |
| Impairment, restructuring and other operating items, net | 35.7 | 7.6 | | | |
| OCF | € 1,721.8 | € 1,691.6 | | | |

* Certain of our 2017 revenue amounts have been reclassified to conform to the net presentation reflected in the revenue we report for the 2018 periods

Footnotes

1. The financial figures contained in this release are prepared in accordance with accounting principles generally accepted in the United States ("U.S. GAAP"). We adopted Accounting Standards Update No. 2014-09, *Revenue from Contracts with Customers* ("ASU 2014-09" or "New GAAP") effective January 1, 2018 by recording the cumulative effect of the adoption to our owners' equity. The comparative information for the three months and full year ended December 31, 2017 that will be included in our consolidated financial statements has not been restated and will continue to be reported under the accounting standards in effect for such periods ("Old GAAP"). 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 impact 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.

2. 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 management 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.

3. 2018 Operating Cash Flow ("OCF") guidance included 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 2.

   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. As we were evaluating the implementation impact of the new revenue recognition rules, we confirmed this guidance on an Old GAAP basis. The implementation of the new revenue recognition rules has no impact on our Free Cash Flow but has had an impact on revenue and OCF due to changes in the timing of when we recognize (i) revenue from handset sales and (ii) sales commissions.

4. 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.

5. 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. Shareholders refers to the 50:50 ownership by Vodafone and Liberty Global of VodafoneZiggo

6. Converged households or converged SIMs represent customers in either our Consumer or SOHO segment that subscribe to both a fixed-line digital TV and an internet service (like Connect Start, Complete and Max) and a Vodafone branded postpaid mobile telephony service (Start and Red).

7. 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.

8. 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 December 31, 2018 RGU counts exclude our separately reported prepaid and postpaid mobile subscribers.

9. 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.

10. 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. Although presented on a combined basis in our operating statistics summary table above, our ARPU per fixed customer relationship 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. Although presented on a combined basis in our operating statistics summary table above, 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 postpaid mobile service revenue including interconnect revenue for the indicated period, by the average of the opening and closing balances of postpaid mobile subscribers in service for the period. ARPU amounts for Q3 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.

11. 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.

12. 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.

13. 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.

14. 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.

15. 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.

16. 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.

17. 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.

18. 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.

19. 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.

20. 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.

21. 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.

22. 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.

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

24. The capital expenditures that we report in our 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.

25. 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.

26. 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, Small Business and Multiple Dwelling Units 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” and “Small Business RGUs” or “SOHO customers” and “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. As of Q2 2018, we report Multiple Dwelling Units subscribers and revenue under our B2B segment as these contracts are managed by the B2B management team. This transfer from consumer to B2B has a limited impact as compared to reported consumer ARPUs in prior year periods. Multiple Dwelling Units subscribers and related revenue are now excluded from the consumer ARPU calculation for Q4 2018 and the comparable YoY period. With the exception of our B2B SOHO, Small Business and Multiple Dwelling Units 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.