

VodafoneZiggo Reports Preliminary Q2 2020 Results

Customer Base Growth and Cost Control Drive Results; Full Year Guidance Maintained

Utrecht, the Netherlands – August 3, 2020: 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 financial¹ and operating information for the three months (“Q2”) and six months (“YTD” or “H1”) ended June 30, 2020, 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 June 30, 2020 unaudited condensed consolidated financial statements prior to the end of August 2020, at which time the report will be posted to our website. Effective with the release of our second quarter earnings we have stopped using the term Operating Cash Flow (“OCF”) and now use the term “Adjusted EBITDA”. As we define the term, Adjusted EBITDA has the same meaning as OCF had previously, and therefore does not impact any previously reported amounts.

Highlights for Q2 2020:

- Robust commercial performance despite COVID-19 pandemic:
 - Added 29,000 converged² households and 47,000 converged SIMs, driving our converged penetration rate to 42% of internet RGUs³ and 70% of total consumer mobile postpaid SIMs
 - Delivered 6% fixed ARPU⁴ growth while holding total fixed customers⁵ stable
 - Added 58,000 mobile postpaid and 6,000 broadband customers
 - Shops now reopened while strategically investing in online and telesales channels
- Robust financial performance with strong cash flow conversion:
 - Revenue grew 2% YoY, marking our fifth consecutive quarter of growth
 - Net loss increased 81% YoY to €168 million primarily driven by fair value changes in our derivative portfolio, partially offset by foreign exchange gains and adjusted EBITDA growth
 - Adjusted EBITDA⁶ grew 11% YoY to €483 million, supported by revenue growth, good cost control, and positive non-recurring settlement and net impact of COVID-19
 - Operating FCF⁷ (Adjusted EBITDA less property and equipment additions⁸) of €277 million, representing 28% of revenue
- Approximately 95% of our €210 million cost synergies target realized. On track to deliver remaining synergies in 2020, one year ahead of original plan
- Successfully acquired new spectrum licenses and renewed existing license with a term of 20 years
 - 2x10 MHz in the 700 MHz band
 - 15 MHz in the 1400 MHz band
 - 2x20 MHz in the 2100 MHz band

New spectrum license fees of €416 million are payable to the Dutch government over two equal installments in 2020 and 2021 and will be fully funded by new shareholder loans

- Maintaining our 2020 guidance⁹
 - Stable to modest Adjusted EBITDA growth
 - Total cash available for potential shareholder distributions of €400 - €500 million

Jeroen Hoencamp, VodafoneZiggo CEO, commented:

“We remain committed to realizing the Gigabit society, which will support Government's digital agenda as we exit the first phase of the COVID-19 pandemic. I am proud that we launched the Netherland's first nationwide 5G network and we recently secured 5G spectrum to further enhance our position. We are now rolling out our 1 Gbps DOCSIS 3.1 fixed network in Rotterdam in close cooperation with the local municipality, with further regions to follow. We will continue to make appropriate investments in our network infrastructure to provide the best connectivity and entertainment services to all our customers whilst simultaneously driving efficiencies through digital transformation. We delivered good revenue growth in Q2 despite a negative impact, mainly on roaming revenue, from the COVID-19 pandemic. We are continuing to execute our convergence strategy and added 29,000 converged households in Q2. We also delivered another strong quarter of Adjusted EBITDA growth, supported by effective cost control and synergy realization. Despite an expected economic slowdown in H2 2020, I am confident we will deliver our full year guidance.”

Consumer performance for Q2 and H1 2020:

Total consumer revenue grew 3% in Q2 and 4% in H1

Fixed:

Consumer cable revenue¹⁰ grew 5% in Q2 and H1

- Q2 revenue growth was primarily driven by a 6% YoY increase of Consumer cable ARPU as we recorded limited customer growth
- Internet RGUs were flat in Q2 as we announced an average 3.4% price increase as per July 1 across our fixed customer base
- 36,000 new customers were connected to our next-generation video platform Mediabox Next in Q2, bringing the total to 421,000, which is over 12% of our enhanced video base
- We have resumed the 1 Gbps DOCSIS 3.1 roll-out as part of our GigaNet, following an initial suspension of build activity due to the COVID-19 pandemic
- Successfully renewed and extended various large content contracts including soccer of La Liga and FOX Sports. To support local football clubs and authorities at a time when stadium visits in the Netherlands are limited, FOX Sports 1 will be hard bundled in our digital video subscriptions until the end of 2020 at no additional costs

Mobile:

Consumer mobile revenue¹¹ decreased 1% in Q2 and increased 2% in H1

- Q2 revenue decline was the result of ARPU decrease partially offset by strong customer base growth
 - Q2 consumer postpaid ARPU decreased 6% YoY to €18, primarily driven by (i) phasing of converged discounts compared to the prior-year period and (ii) reduced roaming out-of-bundle revenue associated with COVID-19 travel restrictions
- 45,000 net postpaid customers were added in Q2, representing a 10,000 YoY increase, supported by record low mobile postpaid churn
- During Q2 VodafoneZiggo became the first operator to offer nationwide 5G coverage in the Netherlands using Dynamic Spectrum Sharing technology. Customers with a suitable device and a 5G subscription can make use of the latest 5G technology at no extra cost

Business performance for Q2 and H1 2020:

Total B2B revenue decreased 2% in Q2 and 1% in H1

Fixed:

B2B cable revenue¹² grew 11% in Q2 and 9% in H1

- Revenue growth was primarily driven by growth of our SOHO (“Small Office Home Office”) and Small Business customer base and increasing demand for our Unified Communication portfolio
- Added 5,000 SoHo/Small Business customers and 12,000 fixed RGUs in Q2
- Q2 SOHO cable ARPU increased 3% YoY to €60 and our Q2 Small Business cable ARPU was stable YoY at €83

Mobile:

B2B mobile revenue¹³ decreased 12% in Q2 and 8% in H1

- Revenue decline in Q2 was primarily driven by (i) pricing pressure in the large corporate segment, (ii) lower roaming out-of-bundle and visitor revenue related to COVID-19 travel restrictions partially offset by (iii) customer base growth
- Q2 mobile postpaid net customer additions of 14,000, slower growth as compared to 27,000 additions in previous quarter due to impact of COVID-19
- B2B mobile postpaid ARPU decreased 16% YoY in Q2 to €17 driven by the aforementioned revenue headwinds

Financial highlights for Q2 and H1 2020¹:

- Revenue grew 2% YoY in Q2 and 3% YoY in H1, primarily driven by aggregate growth in our combined customer base and fixed ARPU growth, which more than offset €17 million of COVID-19 related headwinds in Q2, of which around 90% related to roaming and visitor revenue losses. Excluding the effect of COVID-19, Q2 revenue growth was in line with the previous quarter
- Net loss increased 81% YoY to €168 million in Q2, primarily driven by (i) a higher net loss on derivative instruments, (ii) changes in income taxes partially offset by (iii) higher foreign currency transaction gains, and (iv) increase in operating income
 - H1 net loss decreased 65% YoY to €78 million, primarily driven by changes in realized and unrealized gains (losses) on derivative instruments and foreign currency transaction gains (losses) and an increase in operating income, partially offset by changes in income taxes and gains (losses) on debt extinguishment
- Q2 Adjusted EBITDA increased 11% YoY to €483 million, marking eight consecutive quarters of growth, supported by good revenue growth and lower costs, the benefit of a non-recurring settlement and positive net impact of COVID-19. On a YTD basis, Adjusted EBITDA grew 8% YoY to €939 million
 - We maintained effective cost control and continued to deliver synergies in Q2, with c.95% of our €210 million cost synergies target now realized
 - During the COVID-19 pandemic, we incurred lower Ziggo Sport production costs, lower roaming costs and lower marketing costs. We also postponed the amortization of certain sport

broadcasting rights to H2, when we expect to resume live broadcasting. Positive net impact of COVID-19 was estimated to be €6 million

- We also received a non-recurring settlement of €11 million in relation to prior period network usage
- In aggregate, the net impact of COVID-19 and non-recurring items in the current and prior-year periods delivered a 5 percentage point tailwind to YoY Adjusted EBITDA growth in Q2
- Integration expenses were €4 million in Q2, bringing YTD total to €8 million
- Property and equipment additions⁸ were 21% of revenue in Q2 and 22% in H1
 - Q2 additions were broadly stable YoY as accelerated investment in 5G technology, fixed and mobile networks expansions and costs to consolidate IT systems offset a decrease in CPE volume
 - Integration-related additions amounted to €22 million in Q2, bringing YTD total to €46 million
- Q2 operating FCF⁷ of €277 million, representing 28% of revenue compared to €226 million or 23% of revenue in the prior-year period primarily as a result of the aforementioned Adjusted EBITDA growth
- At June 30, 2020, our fully-swapped third-party debt borrowing cost¹⁴ was 4.1% and the average tenor of our third-party debt (excluding vendor and handset financing obligations) was 8.1 years
- At June 30, 2020, total third-party debt (excluding vendor financing, other debt and lease obligations) was €9.8 billion, which is a decrease of €0.2 billion from March 31, 2020 related to the weakening of the USD. Further, when taking into consideration the projected principal-related cash flows associated with our cross-currency derivative instruments, the total covenant amount of third party gross debt was €9.6 billion at June 30, 2020, up €0.1 billion from March 31, 2020. For information concerning the debt balances used in our covenant calculations, see Covenant Debt Information below
- During the quarter, our cash returns to shareholders were €19 million of interest on the Shareholder Notes, bringing the YTD total to €39 million. The term of the Shareholder Notes has recently been extended out to 2030
- At June 30, 2020, 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 3.51x and (ii) the ratio of Total Net Debt to Annualized EBITDA (last two quarters annualized) was 4.46x, each as calculated in accordance with our most restrictive covenants, and now reflecting the Credit Facility Excluded Amount as defined in the respective credit agreements
 - Vendor and handset financing obligations are not included in the calculation of our leverage covenants. If we were to include these obligations in our leverage ratio calculation, and not reflect the Credit Facility Excluded Amount, the ratio of Total Net Debt to Annualized EBITDA would have been 5.31x at June 30, 2020
- At June 30, 2020, we had maximum undrawn Revolving Credit Facility commitments of €800 million. When our Q2 compliance reporting requirements have been completed and assuming no changes from June 30, 2020 borrowing levels, we anticipate that we will continue to have €800 million of our unused Revolving Credit Facility commitments available to be drawn

Operating Statistics Summary

	As of and for the three months ended June 30,	
	2020	2019
Footprint		
Homes Passed ¹⁵	7,278,400	7,227,700
Fixed-Line Customer Relationships⁵		
Fixed-Line Customer	3,870,700	3,887,800
Q2 organic Fixed-Line Customer net additions (losses)	1,800	(1,200)
RGUs per Fixed-Line Customer	2.48	2.49
Q2 Monthly ARPU per Fixed-Line Customer	€ 50	€ 46
Fixed Customer Bundling		
Single-Play	12.5%	13.8%
Double-Play	27.0%	23.3%
Triple-Play	60.5%	62.9%
Mobile SIMs¹⁶		
Postpaid	4,614,400	4,325,900
Prepaid	490,000	640,900
Total Mobile	5,104,400	4,966,800
Q2 organic Postpaid net additions	58,400	69,900
Q2 organic Prepaid net losses	(55,500)	(63,600)
Total organic Mobile net additions	2,900	6,300
Q2 Monthly Mobile ARPU		
Postpaid (including interconnect revenue)	€ 18	€ 20
Prepaid (including interconnect revenue)	€ 3	€ 3
Convergence²		
Converged Households	1,412,000	1,192,000
Converged SIMs	2,201,000	1,748,000
Converged Households as % of Internet RGUs	42%	36%
Subscribers (RGUs)		
Basic Video ¹⁷	499,900	497,500
Enhanced Video ¹⁸	3,365,800	3,386,000
Total Video	3,865,700	3,883,500
Internet ¹⁹	3,377,900	3,341,000
Telephony ²⁰	2,354,300	2,460,200
Total RGUs	9,597,900	9,684,700
Q2 Organic RGU Net Additions (Losses)		
Basic Video	12,100	(6,100)
Enhanced Video	(10,200)	4,800
Total Video	1,900	(1,300)
Internet	6,000	17,300
Telephony	(28,500)	(14,100)
Total organic RGU net additions (losses)	(20,600)	1,900

Financial Results, Adjusted EBITDA Reconciliation, Property and Equipment Additions & Operating FCF Reconciliation

The following table reflects preliminary unaudited selected financial results for the three and six months ended June 30, 2020 and 2019.

	Three months ended June 30,		Change	Six months ended June 30,		Change
	2020	2019		2020	2019	
	in millions, except % amounts					
Total revenue						
Consumer cable revenue¹⁰						
Subscription revenue	€ 515.3	€ 489.3	5.3%	€ 1,027.7	€ 981.3	4.7%
Non-subscription revenue	3.5	5.1	(31.4%)	8.1	10.0	(19.0%)
Total consumer cable revenue	518.8	494.4	4.9%	1,035.8	991.3	4.5%
Consumer mobile revenue¹¹						
Service revenue	153.5	154.4	(0.6%)	310.6	313.8	(1.0%)
Non-service revenue	56.4	57.5	(1.9%)	116.9	106.0	10.3%
Total consumer mobile revenue	209.9	211.9	(0.9%)	427.5	419.8	1.8%
Total consumer revenue	728.7	706.3	3.2%	1,463.3	1,411.1	3.7%
B2B cable revenue¹²						
Subscription revenue	118.8	106.6	11.4%	234.6	215.1	9.1%
Non-subscription revenue	6.2	5.6	10.7%	12.3	12.5	(1.6%)
Total B2B cable revenue	125.0	112.2	11.4%	246.9	227.6	8.5%
B2B mobile revenue¹³						
Service revenue	93.4	108.2	(13.7%)	188.8	214.5	(12.0%)
Non-service revenue	23.5	25.1	(6.4%)	54.6	50.9	7.3%
Total B2B mobile revenue	116.9	133.3	(12.3%)	243.4	265.4	(8.3%)
Total B2B revenue	241.9	245.5	(1.5%)	490.3	493.0	(0.5%)
Other revenue ²¹	11.9	13.2	(9.8%)	24.4	24.3	0.4%
Total revenue	€ 982.5	€ 965.0	1.8%	€ 1,978.0	€ 1,928.4	2.6%
Adjusted EBITDA ⁶	€ 482.8	€ 433.9	11.3%	€ 939.0	€ 868.8	8.1%
Adjusted EBITDA as a percentage of revenue	49.1%	45.0%		47.5%	45.1%	

The following table provides a reconciliation of net loss to Adjusted EBITDA:

	Three months ended June 30,		Six months ended June 30,	
	2020	2019	2020	2019
in millions, except % amounts				
Net loss	€ (168.0)	€ (92.9)	€ (77.7)	€ (225.0)
Income tax expense (benefit)	30.5	(27.2)	53.4	(61.1)
Other expense (income), net	0.1	(0.9)	0.1	(1.6)
Losses (gains) on debt extinguishment, net	—	(35.1)	29.6	(35.1)
Foreign currency transaction losses (gains), net	(137.0)	(60.8)	(10.8)	38.8
Realized and unrealized losses (gains) on derivative instruments, net	208.0	103.5	(125.0)	71.4
Interest expense:				
Third-party	110.3	123.8	228.5	246.5
Related-party	19.7	22.4	39.3	44.6
Operating income	63.6	32.8	137.4	78.5
Impairment, restructuring and other operating items, net	1.1	1.4	3.3	12.4
Depreciation and amortization	418.0	399.3	798.0	777.0
Share-based compensation expense	0.1	0.4	0.3	0.9
Adjusted EBITDA	€ 482.8	€ 433.9	€ 939.0	€ 868.8

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 June 30,		Six months ended June 30,	
	2020	2019	2020	2019
in millions, except % amounts				
Customer premises equipment	€ 37.0	€ 55.4	€ 89.7	€ 102.0
New build and upgrade	35.0	32.3	70.7	59.1
Capacity	59.1	55.3	128.4	107.3
Baseline	68.1	57.3	126.8	95.1
Product and enablers	7.0	7.8	13.3	14.1
Property and equipment additions ⁸	206.2	208.1	428.9	377.6
Assets acquired under capital-related vendor financing arrangements	(116.2)	(116.1)	(230.8)	(255.7)
Assets acquired under finance leases	(8.8)	(1.7)	(10.3)	(3.1)
Changes in liabilities related to capital expenditures	22.7	(5.4)	10.3	54.2
Total capital expenditures ²²	€ 103.9	€ 84.9	€ 198.1	€ 173.0
Property and equipment additions as a percentage of revenue	21.0%	21.6%	21.7%	19.6%

Operating FCF⁷ Reconciliation

Adjusted EBITDA	€ 482.8	€ 433.9	€ 939.0	€ 868.8
Property and equipment additions	(206.2)	(208.1)	(428.9)	(377.6)
Operating FCF	€ 276.6	€ 225.8	€ 510.1	€ 491.2
Operating FCF as a percentage of revenue	28.2%	23.4%	25.8%	25.5%

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.

	June 30, 2020		March 31, 2020	
	Borrowing currency	€ equivalent		
		in millions		
Credit Facilities				
Term Loan H (EURIBOR + 3.00%) EUR due 2029	€	2,250.0	2,250.0	2,250.0
Term Loan I (LIBOR + 2.50%) USD due 2028	\$	2,525.0	2,245.7	2,301.5
Financing Facility	€	14.5	14.5	32.9
€800.0 million Ziggo Revolving Facilities EUR due 2026			—	—
Total Credit Facilities			4,510.2	4,584.4
Senior Secured Notes				
5.50% USD Senior Secured Notes due 2027	\$	1,800.0	1,600.9	1,640.7
4.25% EUR Senior Secured Notes due 2027	€	697.5	697.5	697.5
4.875% USD Senior Secured Notes due 2030	\$	700.0	622.6	638.0
2.875% EUR Senior Secured Notes due 2030	€	502.5	502.5	502.5
Total Senior Secured Notes			3,423.5	3,478.7
Senior Notes				
3.375% EUR Senior Notes due 2030	€	900.0	900.0	900.0
6.00% USD Senior Notes due 2027	\$	625.0	555.9	569.7
5.125% USD Senior Notes due 2030	\$	500.0	444.7	455.7
Total Senior Notes			1,900.6	1,925.4
Vendor financing			998.6	999.7
Other debt ²³			180.3	187.7
Finance leases			23.9	19.0
Total third-party debt and finance lease obligations			11,037.1	11,194.9
Unamortized premiums, discounts and deferred financing costs, net			(66.7)	(71.7)
Total carrying amount of third-party debt and finance lease obligations .			10,970.4	11,123.2
Less: cash and cash equivalents			241.2	108.8
Net carrying amount of third-party debt and finance lease obligations ²⁴ ...	€		10,729.2	€ 11,014.4
Exchange rate (\$ to €)			1.12435	1.09710

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 gross²⁵ and net debt²⁴ 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 June 30, 2020 and March 31, 2020. These amounts are presented for illustrative purposes only and will likely differ from the actual cash receipts in future period

	June 30, 2020	March 31, 2020
	in millions	
Total third-party debt and finance lease obligations (€ equivalent)	€ 11,037.1	€ 11,194.9
Vendor financing	(998.6)	(999.7)
Finance lease obligations	(23.9)	(19.0)
Other debt ²³	(180.3)	(187.7)
Credit Facility excluded amount*	(495.0)	(32.7)
Projected principal-related cash receipts associated with our cross-currency derivative instruments	(258.4)	(394.3)
Total covenant amount of third-party gross debt²⁵	9,080.9	9,561.5
Less: cash and cash equivalents**	(231.9)	(77.2)
Total covenant amount of third-party net debt²⁴	€ 8,849.0	€ 9,484.3

* Reflected as per June 30, 2020. For March 31, 2020 the amount reflects the Interest rate and Issue date facility of the Vendor Finance Notes

** This excludes the €9.3 million and €31.6 million as at June 30, 2020 and March 31, 2020, respectively, cash related to the unutilized portion of the Vendor Finance Note facility

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 Adjusted EBITDA 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; 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 impact of the COVID-19 pandemic on our company; 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 June 30, 2020, we have over 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 and Rotterdam.

The VodafoneZiggo JV is a joint venture between Liberty Global, one of the world's leading converged video, broadband and communications companies, and Vodafone Group, one of the world's leading technology communications companies. Liberty Global has operations in six European countries under the consumer brands Virgin Media, Telenet and UPC. Liberty Global develops market-leading products delivered through next-generation networks that connect 11 million customers subscribing to 25 million TV, broadband internet and telephony services. Liberty Global also serves 6 million mobile subscribers and offers WiFi service through millions of access points across its footprint. Liberty Global owns significant investments in ITV, All3Media, ITI Neovision, LionsGate, the Formula E racing series and several regional sports networks. Vodafone Group is focused on two scaled and differentiated regional platforms in Europe and Africa, operating mobile and fixed networks in 22 countries and partnering with mobile networks in 48 more. As of June 30, 2020, Vodafone Group had over 300 million mobile customers, more than 27 million fixed broadband customers and over 22 million TV customers.

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").
2. 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 Vodafone and/or hollandsnieuwe postpaid mobile telephony service.
3. RGU ("Revenue Generating Unit") 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 June 30, 2020 RGU counts exclude our separately reported prepaid and postpaid mobile subscribers.
4. 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"), SOHO ("SOHO cable ARPU") and Small Business ("Small Business 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 ("Consumer mobile postpaid ARPU") and B2B ("B2B mobile 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.
5. Fixed Customer Relationships are the number of customers who receive at least one of our video, internet or telephony services that we count as RGU, 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.
6. Adjusted EBITDA, previously referred to as Operating Cash Flow ("OCF"), is the primary measure used by our management to evaluate the operating performance of our businesses. Adjusted EBITDA 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, Adjusted EBITDA 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 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 (a) readily view operating trends, (b) perform analytical comparisons and benchmarking between entities and (c) identify strategies to improve operating performance. We believe our Adjusted EBITDA 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 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 net loss to Adjusted EBITDA is presented under the *Financial Results, Adjusted EBITDA Reconciliation, Property and Equipment Additions & Operating FCF Reconciliation* section of this release.
7. We define Operating FCF (Operating Free Cash Flow) as Adjusted EBITDA less property and equipment additions. Operating FCF is an additional metric that we use to measure the performance of our operations after considering the level of property and equipment additions incurred during the period. Operating FCF 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.
8. Property and equipment additions include capital expenditures on an accrual basis, amounts financed under vendor financing or finance lease arrangements and other non-cash additions.
9. Financial guidance for FY 2020:
 - Adjusted EBITDA growth: flat to modest growth
 - Property and equipment additions: 19-21% of revenue, including integration-related additions of approximately €80 million
 - Total cash available for potential shareholder distributions: €400 million - €500 million

A reconciliation of our Adjusted EBITDA 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 Adjusted EBITDA, see note 6.

Total cash available refers to cash generated during the period excluding any financing and investment expenses relating to potential acquisitions, mobile spectrum auction fees or other liabilities.

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 2019 annual report. Shareholders refers to the 50:50 ownership by Vodafone and Liberty Global of VodafoneZiggo.

10. 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 and the amortization of installation fee. Consumer cable non-subscription revenue includes, among other items, interconnect, channel carriage fees and late fees.
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 as well as wholesale customers. B2B mobile non-service revenue includes, among other items, interconnect including visitor 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 finance leases and vendor and handset 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. 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. Prepaid customers are excluded from our prepaid mobile telephony subscriber counts after a period of inactivity of 9 months.
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. Other revenue includes, among other items, programming and advertising revenue and revenue related to certain personnel services provided to Vodafone and Liberty Global.
22. The capital expenditures that we report in our consolidated statements of cash flows do not include amounts that are financed under vendor financing or finance 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.
23. Other debt represents handset financing obligations.
24. 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.
25. 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) finance lease obligations, (iii) other debt and (iv) 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 RGUs or customer counts. We report Multiple Dwelling Units subscribers and revenue under our B2B segment as these contracts are managed by the B2B management team. 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.