VodafoneZiggo Reports Preliminary Q2 2018 Results

Ongoing Commercial Momentum; Stable OCF Guidance for 2018

Utrecht, the Netherlands – August 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 ("Q2") and six months ("YTD" or "H1") ended June 30, 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 June 30, 2018 unaudited condensed consolidated financial statements prior to the end of August 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" or "New GAAP") effective January 1, 2018. To provide comparability, our 2017 results in this press release have been presented on a pro forma basis under New GAAP[1]. Accordingly, unless otherwise indicated, our results and growth rates for all periods are presented under New GAAP. In the Appendix, we also present our 2018 and 2017 results under the previous revenue recognition rules ("Old GAAP"). The adoption of New GAAP has had an adverse impact on our reported pro forma growth rates for revenue and OCF.

Highlights for Q2 and H1 2018:

- Marking the fifth consecutive quarter of growth, commercial momentum continued in the second quarter as we added 12,000 broadband RGUs[2], 6,000 enhanced video RGUs and 25,500 mobile postpaid customers
- YTD we have added 4,000 fixed RGUs as compared to a loss of 10,000 in H1 2017 and increased our mobile postpaid net additions to 56,000 in H1 2018 from 14,000 in H1 2017. These results reflect both higher gross additions and lower churn[3]
- Strong progress on convergence continues:
    - Added 36,000 converged[4] households and 59,000 converged SIMs in Q2
    - 960,000 of our 3.9 million fixed customers and 1,380,000 of our 3.0 million eligible mobile customers are now converged
    - Converged products contribute to a higher Net Promoter Score and a significant reduction in both fixed and mobile churn
- Due to the increasing popularity of our content offers such as Ziggo Sport (top three reason for buying a bundle) and HBO, we continue to show improvements in video attrition with 10,000 losses in Q2 as compared to 23,000 in Q2 2017
- We implemented price increases in July 2018 averaging €2 or 3.5% across our fixed customer base
- Q2 total revenue declined €45 million or 5% to €935 million due to declines in the consumer and B2B mobile segments of 11% and 19%, respectively. The decline in total revenue includes (i) a €29 million decrease from the impact of applying New GAAP, largely related to the acceleration of revenue in Q2 2017 associated with the April 2017 launch of converged offers, and (ii) a €17 million decrease associated with regulatory headwinds in mobile. Consumer cable revenue remained stable and B2B cable revenue grew 9%. Under Old GAAP, Q2 total revenue declined 2% to €967 million
- Operating loss of €5 million in Q2, compared to operating income of €46 million in Q2 2017

- Q2 OCF[5] declined by 5% to €406 million, primarily due to lower revenue, partially offset by a decrease in direct costs. Under Old GAAP, Q2 OCF remained stable at €429 million
- We expect a stable OCF performance[6] (on an Old GAAP basis) and anticipate that total cash returns[7] will be towards the upper end of our targeted €600-€800 million range

Jeroen Hoencamp, VodafoneZiggo CEO, commented:

"In Q2 we maintained commercial momentum, adding 36,000 converged households, 12,000 internet customers and 25,500 mobile postpaid customers. Twenty-nine percent of our broadband customers and 64% of our Vodafone-branded postpaid customers in our consumer base are now converged, driving improved NPS as well as churn benefits. During the quarter we launched our new *RED Together* mobile proposition, enabling our customers to share their data bundles, and we continued to migrate analogue customers to digital TV, which creates additional network capacity, enabling us to offer 1 Gbps speeds to all customers by 2020. These commercial and strategic initiatives, together with our good progress on integration, have been largely offset by adverse regulatory impacts and the negative impacts of the new revenue accounting. However, our underlying performance is robust, and regulatory headwinds are diminishing. We therefore expect to grow our OCF in the second half of this year, enabling us to deliver total cash returns for our shareholders in 2018 that are towards the higher end of our original targeted range."

Consumer performance for Q2 and H1 2018:

Total consumer revenue declined 3% in Q2 and 4% YTD

<u>Fixed:</u>

Consumer cable revenue[8] remained stable in Q2:

- Our flat revenue is the net result of (i) €8 million of lower revenue from the impact of applying New GAAP and (ii) increases in other elements of consumer cable revenue
- Commercial momentum in our fixed consumer business continued, driven by lower sequential and year-over-year churn
    - Added 3,000 broadband customers, supported by the Ziggo Power Promise WiFi campaign
    - Q2 consumer cable ARPU[9] increased 2% YoY to €47
- Added 23,000 new Ziggo Mediabox XL customers in Q2, increasing our next-generation TV subscribers to 1.4 million (up 15% YoY), or 41% of our enhanced video base
- Ziggo GO is now actively used by more than 1.3 million customers, an increase of 200,000 customers compared to Q2 2017. Customers are now able to download and watch all available content online or offline across Europe on multiple screens

<u>Mobile:</u>

Consumer mobile revenue[10] declined 11% in Q2

- The €23 million decline in Q2 includes (i) €12 million of lower revenue from the impact of applying New GAAP and (ii) €11 million lower interconnect and roaming revenue following a reduction in Mobile Termination Rates ("MTRs"), which took effect in July 2017, and new EU roaming regulations as of June 2017. The decline in Q2 also includes the net impact of lower ARPU and a higher customer base

- We added 22,000 mobile postpaid SIMs (excluding non-revenue generating secondary SIMs) as compared to 11,000 net additions in Q2 2017
- In June we successfully launched 'RED Together', a new addition to our premium RED portfolios, with attractive features tailored specifically to the modern family such as single invoice, data bundle sharing and parental control
- Mobile data usage continued to grow strongly, up 48% year over year, with average usage per postpaid customer increasing to 2.6GB per month
- Our Q2 consumer postpaid ARPU decreased 12% YoY to €18

Business performance for Q2 and H1 2018:

Total B2B revenue decreased by 9% in Q2 and 8% YTD

Fixed:

B2B cable revenue[11] increased by 9% in Q2 driven by continued growth within all of our B2B segments:

- B2B Fixed continued to show strong growth with ongoing demand for our Business Internet Pro and Integrated Communication products
- In Q2, we added 18,000 fixed SOHO RGUs in line with our Q1 2018 performance and an improvement of 5,000 as compared with Q2 2017, supported by our current 2-months free trial offers
- Q2 SOHO cable ARPU decreased 1% YoY to €58.5

Mobile:

B2B mobile revenue[12] decreased by 19% in Q2:

- The €30 million YoY decline in Q2 includes (i) a €14 million decline associated with adverse pricing trends, (ii) €8 million of lower revenue from the impact of applying New GAAP and (iii) €6 million lower interconnect and roaming revenue, following a reduction in MTRs and new EU regulation
- Added 7,000 postpaid customers in Q2
- Q2 mobile B2B postpaid ARPU decreased 23.5% YoY to €21

We are part of the largest Internet of Things ("IoT") network in the world. We are actively driving digitization in the Netherlands, and we have launched new campaigns in Q2 highlighting the benefits of our new nationwide Long Term Evolution for Machines ("LTE-M") network and have secured several IoT contracts with a value well above a million Euro in the energy and smart city sectors

Financial highlights for Q2 and H1 2018[(13)]:

Under New GAAP, our revenue, operating income and OCF declined in Q2 and YTD

- Q2 total revenue declined €45 million or 5% to €935 million and declined €98 million or 5% YTD. The decline in Q2 includes (i) a €29 million decrease from the impact of applying New GAAP, largely related to the acceleration of revenue in Q2 2017 associated with the April 2017 launch of converged offers, and (ii) a €17 million decrease associated with regulatory headwinds in mobile

- We recognized operating income (loss) of (€5 million) and €14 million during Q2 and YTD 2018, as compared to operating income of €46 million and €101 million in the corresponding periods during 2017. These declines were primarily due to the lower OCF performance as described below and additional restructuring charges in Q2

- OCF declined by 5% in Q2 to €406 million, and by 5.5% YTD to €814 million

    - The contraction in Q2 was primarily driven by the revenue declines detailed above, partially offset by (i) €15 million lower interconnect costs driven by a reduction in Mobile Termination Rates ("MTRs") and Fixed Termination Rate ("FTRs"), (ii) lower costs of €5 million associated with higher cost deferrals under New GAAP, (iii) lower customer service costs of €3 million as a direct result of our Fixed Improvement Program and (iv) lower bad debt, labor and programming costs

    - Integration expenses were €3 million in Q2, in line with Q1 2018

- As we highlight in the Appendix, under Old GAAP our revenue in Q2 and YTD declined 2%, our operating income declined in Q2 to €19 million and YTD to €58 million and our OCF was flat in Q2 and YTD as compared to the prior year period. The differences under ASU 2014-09 are mainly due to changes in the timing of when we recognize (i) revenue from handset sales and converged offers and (ii) sales commission expenses

- Property and equipment additions[14] were 21% of revenue in Q2

    - Q2 expenditures were slightly higher as compared to Q2 2017 due to the expansion of our fixed line network (new homes passed) and increased spend on integration related projects, partially offset by lower customer premises equipment and related installments driven by lower sales volumes

    - Integration-related additions accelerated to €25 million in Q2, from €18 million in Q1, bringing total spend to €42 million YTD

- At June 30, 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 7.2 years

- At June 30, 2018, total third-party debt (excluding vendor financing and capital lease obligations) was €9.7 billion, which is unchanged from March 31, 2018. For information concerning the debt balances used in our covenant calculations, see Covenant Debt Information below

- During the quarter, our cash payments to shareholders included interest on the Shareholder Notes of €25 million and €200 million of dividends

- At June 30, 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 3.77x and (ii) the ratio of Total Net Debt to Annualized EBITDA (last two quarters annualized) was 4.82x, 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 5.29x at June 30, 2018

- At June 30, 2018, we had maximum undrawn commitments of €800 million. When our Q2 compliance reporting requirements have been completed and assuming no changes from June 30, 2018 borrowing levels, we anticipate that we will continue to have €800 million of our unused commitments available to be drawn

Operating Statistics Summary

	As of and for the three months ended June 30, 2018	2017
Footprint		
Homes Passed[16]	7,154,100	7,118,100
Two-way Homes Passed[17]	7,143,200	7,111,400
Subscribers (RGUs)		
Basic Video[18]	545,400	616,400
Enhanced Video[19]	3,382,500	3,341,100
Total Video	3,927,900	3,957,500
Internet[20]	3,298,800	3,221,100
Telephony[21]	2,537,600	2,544,800
Total RGUs	9,764,300	9,723,400
Q2 Organic RGU Net Additions (Losses)		
Basic Video	(16,000)	(25,800)
Enhanced Video	5,900	2,800
Total Video	(10,100)	(23,000)
Internet	12,400	9,500
Telephony	(10,300)	5,900
Total organic RGU net additions (losses)	(8,000)	(7,600)
Penetration		
Enhanced Video Subscribers as a % of Total Video Subscribers[22]	86.1%	84.4%
Internet as a % of Two-way Homes Passed[23]	46.2%	45.3%
Telephony as a % of Two-way Homes Passed[23]	35.5%	35.8%
Fixed Customer Relationships		
Fixed Customer Relationships[24]	3,903,300	3,936,300
RGUs per Fixed Customer Relationship	2.50	2.47
Q2 Monthly ARPU per Fixed Customer Relationship[1,9]	€ 46	€ 45
Fixed Customer Bundling		
Single-Play	15.9%	18.5%
Double-Play	19.4%	17.2%
Triple-Play	64.7%	64.3%
Mobile SIMs[25]		
Postpaid	4,113,700	4,080,300
Prepaid	748,200	964,200
Total Mobile	4,861,900	5,044,500
Q2 organic Postpaid net additions	25,500	13,500
Q2 organic Prepaid net losses	(56,600)	(42,000)
Total organic Mobile net additions (losses)	(31,100)	(28,500)
Q2 Monthly Mobile ARPU[1,9]		
Postpaid (including interconnect revenue)	€ 19	€ 23
Prepaid (including interconnect revenue)	€ 3	€ 4

Financial Results, OCF Reconciliation & Property and Equipment Additions

The following table reflects preliminary unaudited selected financial results for the three months and six months ended June 30, 2018 and 2017[30]. Information for the three and six months ended June 30, 2018 and 2017 under Old GAAP is presented in the Appendix.

	Three months ended June 30,			Six months ended June 30,		
		Pro Forma[1]			Pro Forma[1]	
	2018	2017*	Change	2018	2017*	Change
	in millions, except % amounts					
Total revenue						
Consumer cable revenue[8]						
Subscription revenue	€497.7	€ 497.3	0.1%	€ 998.4	€ 1,009.7	(1.1%)
Non-subscription revenue	4.2	5.7	(26.3%)	8.3	12.9	(35.7%)
Total consumer cable revenue	501.9	503.0	(0.2%)	1,006.7	1,022.6	(1.6%)
Consumer mobile revenue[10]						
Service revenue	139.7	153.2	(8.8%)	286.0	311.3	(8.1%)
Non-service revenue	50.3	60.0	(16.2%)	109.0	124.3	(12.3%)
Total consumer mobile revenue	190.0	213.2	(10.9%)	395.0	435.6	(9.3%)
Total consumer revenue	691.9	716.2	(3.4%)	1,401.7	1,458.2	(3.9%)
B2B cable revenue[11]						
Subscription revenue	99.8	88.6	12.6%	198.9	181.5	9.6%
Non-subscription revenue	5.6	8.3	(32.5%)	12.5	14.8	(15.5%)
Total B2B cable revenue	105.4	96.9	8.8%	211.4	196.3	7.7%
B2B mobile revenue[12]						
Service revenue	103.9	129.5	(19.8%)	213.5	263.2	(18.9%)
Non-service revenue	20.8	25.3	(17.8%)	45.2	53.3	(15.2%)
Total B2B mobile revenue	124.7	154.8	(19.4%)	258.7	316.5	(18.3%)
Total B2B revenue	230.1	251.7	(8.6%)	470.1	512.8	(8.3%)
Other revenue[26]	12.6	11.9	5.9%	24.0	22.5	6.7%
Total revenue	€934.6	€ 979.8	(4.6%)	€1,895.8	€ 1,993.5	(4.9%)
OCF	€405.5	€ 428.3	(5.3%)	€ 813.8	€ 861.5	(5.5%)
OCF as a percentage of revenue	43.4 %	43.7%		42.9%	43.2%	
Operating income (loss) as a percentage of revenue	(0.5)%	4.7%		0.7%	5.1%	
OCF Reconciliation						
Operating income (loss)	€ (5.1)	€ 46.3		€ 14.2	€ 101.3	
Share-based compensation expense	0.9	1.5		1.6	4.2	
Depreciation and amortization	385.3	378.0		768.3	753.3	
Impairment, restructuring and other operating items, net	24.4	2.5		29.7	2.7	
OCF	€405.5	€ 428.3		€ 813.8	€ 861.5	

* 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 condensed consolidated statements of cash flows:

	Three months ended June 30,		Six months ended June 30,	
	2018	2017	2018	2017
	in millions, except % amounts			
Customer premises equipment	€ 49.6	€ 70.7	€ 106.9	€ 146.7
New build and upgrade	26.8	18.8	48.5	36.5
Capacity	58.9	62.4	110.4	129.7
Baseline	55.6	41.0	113.3	90.7
Product and enablers	7.6	3.6	14.5	6.9
Property and equipment additions	€ 198.5	€ 196.5	€ 393.6	€ 410.5
Assets acquired under capital-related vendor financing arrangements	(158.9)	(99.8)	(284.7)	(143.9)
Assets acquired under capital leases	(1.4)	—	(20.1)	—
Changes in liabilities related to capital expenditures	(17.1)	8.6	(10.0)	(5.1)
Total capital expenditures[27]	€ 21.1	€ 105.3	€ 78.8	€ 261.5
Property and equipment additions as a percentage of revenue[1]	21.1%	19.9%	20.8%	20.6%

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).

	June 30, 2018				March 31, 2018	
	Borrowing currency		€ equivalent			
Senior Credit Facilities						
Term Loan E (LIBOR + 2.50%) USD due 2025	$	2,525.0	€	2,162.4	€	2,054.4
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		1,712.8		1,627.2
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		342.6		325.4
4.25% EUR Senior Proceeds Loan due 2027	€	775.0		775.0		775.0
6.00% USD Senior Proceeds Loan due 2027	$	625.0		535.2		508.5
€800.0 million Ziggo Revolving Facilities EUR due 2022				—		—
Elimination of the Proceeds Loans in consolidation				(4,565.6)		(4,436.1)
Total Senior Credit Facilities				4,412.4		4,304.4
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		1,712.8		1,627.2
Total Senior Secured Notes				3,359.5		3,273.9
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		342.6		325.4
6.00% USD Senior Notes due 2027	$	625.0		535.2		508.5
Total Senior Notes				2,020.9		1,977.0
Vendor financing				922.4		822.4
Capital leases				18.7		19.0
Total third-party debt and capital lease obligations				10,733.9		10,396.7
Unamortized premiums, discounts and deferred financing costs, net				54.7		60.1
Total carrying amount of third-party debt and capital lease obligations				10,788.6		10,456.8
Less: cash				355.0		355.2
Net carrying amount of third-party debt and capital lease obligations[28]			€	10,433.6	€	10,101.6
Exchange rate ($ to €)				1.1677		1.2291

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[29] 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 June 30, 2018 and March 31, 2018. These amounts are presented for illustrative purposes only and will likely differ from the actual cash receipts in future periods.

	June 30, 2018	March 31, 2018
	in millions	
Total third-party debt and capital lease obligations (€ equivalent)	€ 10,733.9	€ 10,396.7
Vendor financing	(922.4)	(822.4)
Capital lease obligations	(18.7)	(19.0)
Projected principal-related cash payments associated with our cross-currency derivative instruments	(82.5)	155.0
Total covenant amount of third-party gross debt[29]	9,710.3	9,710.3
Less: cash	(355.0)	(355.2)
Total covenant amount of third-party net debt[29]	€ 9,355.3	€ 9,355.1

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 growth prospects and opportunities; expectations with respect to our OCF; expectations with respect to the development, enhancement and expansion of our superior networks and innovative and advanced products and services, including the offer of 1 Gbps broadband speeds to all customers by 2020; 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 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, 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 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. Vodafone Group has mobile operations in 25 countries, partners with mobile networks in 46 more, and fixed broadband operations in 18 markets. As of June 30, 2018, Vodafone Group had 534.5 million mobile customers and 19.9 million fixed broadband customers, including India and all of the customers in Vodafone's joint ventures and associates.

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 and six months ended June 30, 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 June 30,			Three months ended June 30,	
	2018	2017*	Change	2018	2017
	in millions, except % amounts			in millions	
Total revenue					
Consumer cable revenue[8]					
Subscription revenue	€ 509.3	€ 501.1	1.6%	€ (11.6)	€ (3.8)
Non-subscription revenue	5.0	6.7	(25.4%)	(0.8)	(1.0)
Total consumer cable revenue	514.3	507.8	1.3%	(12.4)	(4.8)
Consumer mobile revenue[10]					
Service revenue	177.8	184.3	(3.5%)	(38.1)	(31.1)
Non-service revenue	27.2	31.7	(14.2%)	23.1	28.3
Total consumer mobile revenue	205.0	216.0	(5.1%)	(15.0)	(2.8)
Total consumer revenue	719.3	723.8	(0.6%)	(27.4)	(7.6)
B2B cable revenue[11]					
Subscription revenue	100.4	88.3	13.7%	(0.6)	0.3
Non-subscription revenue	5.2	7.6	(31.6%)	0.4	0.7
Total B2B cable revenue	105.6	95.9	10.1%	(0.2)	1.0
B2B mobile revenue[12]					
Service revenue	113.7	133.5	(14.8%)	(9.8)	(4.0)
Non-service revenue	15.5	17.8	(12.9%)	5.3	7.5
Total B2B mobile revenue	129.2	151.3	(14.6%)	(4.5)	3.5
Total B2B revenue	234.8	247.2	(5.0%)	(4.7)	4.5
Other revenue[27]	12.6	11.9	5.9%	—	—
Total revenue	€ 966.7	€ 982.9	(1.6%)	€ (32.1)	€ (3.1)
OCF	€ 429.1	€ 428.1	0.2%	€ (23.6)	€ 0.2
OCF as a percentage of revenue	44.4%	43.6%			
Operating income as a percentage of revenue	1.9%	4.7%			
OCF Reconciliation					
Operating income	€ 18.5	€ 46.1			
Share-based compensation expense	0.9	1.5			
Depreciation and amortization	385.3	378.0			
Impairment, restructuring and other operating items, net	24.4	2.5			
OCF	€ 429.1	€ 428.1			

	Old GAAP Six months ended June 30, 2018	2017*	Change	Impact of ASU 2014-09 Six months ended June 30, 2018	2017
	in millions, except % amounts			in millions	
Total revenue					
Consumer cable revenue[8]					
Subscription revenue	€ 1,025.8	€ 1,012.1	1.4%	€ (27.4)	€ (2.4)
Non-subscription revenue	9.6	15.3	(37.3%)	(1.3)	(2.4)
Total consumer cable revenue	1,035.4	1,027.4	0.8%	(28.7)	(4.8)
Consumer mobile revenue[10]					
Service revenue	358.5	377.0	(4.9%)	(72.5)	(65.7)
Non-service revenue	57.8	65.2	(11.3%)	51.2	59.1
Total consumer mobile revenue	416.3	442.2	(5.9%)	(21.3)	(6.6)
Total consumer revenue	1,451.7	1,469.6	(1.2%)	(50.0)	(11.4)
B2B cable revenue[11]					
Subscription revenue	200.3	181.4	10.4%	(1.4)	0.1
Non-subscription revenue	11.3	13.2	(14.4%)	1.2	1.6
Total B2B cable revenue	211.6	194.6	8.7%	(0.2)	1.7
B2B mobile revenue[12]					
Service revenue	233.4	274.3	(14.9%)	(19.9)	(11.1)
Non-service revenue	34.2	39.4	(13.2%)	11.0	13.9
Total B2B mobile revenue	267.6	313.7	(14.7%)	(8.9)	2.8
Total B2B revenue	479.2	508.3	(5.7%)	(9.1)	4.5
Other revenue[27]	24.1	22.6	6.6%	(0.1)	(0.1)
Total revenue	€ 1,955.0	€ 2,000.5	(2.3%)	€ (59.2)	€ (7.0)
OCF	€ 857.8	€ 859.5	(0.2%)	€ (44.0)	€ 2.0
OCF as a percentage of revenue	43.9%	43.0%			
Operating income as a percentage of revenue	3.0%	5.0%			
OCF Reconciliation					
Operating income	€ 58.2	€ 99.3			
Share-based compensation expense	1.6	4.2			
Depreciation and amortization	768.3	753.3			
Impairment, restructuring and other operating items, net	29.7	2.7			
OCF	€ 857.8	€ 859.5			

* 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. 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 and six months ended June 30, 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 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. 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 June 30, 2018 RGU counts exclude our separately reported prepaid and postpaid mobile subscribers.

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. 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.

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 (loss) 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. As we are continuing to evaluate and verify the impact of the implementation of the new revenue recognition rules, we are confirming 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 adverse impact on revenues and OCF.

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 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 Q2 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. Other revenue includes, among other items, programming and advertising revenue and revenue related to certain personnel services provided to Vodafone and Liberty Global.

27. 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.

28. 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.

29. 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.

30. The pro-forma amounts reported for the quarter ended March 31, 2017 and the historical amounts reported for the quarter ended March 31, 2018 for revenue,OCF and operating income have been retrospectively revised from the amounts originally reported. The revision is attributable to the reassessment of both our opening balance sheet and current year positions for the new revenue recognition standard. The following table quantifies the impact of this reassessment on our prior period issued reports:

	Revenue	OCF	Operating Income
	in millions, except % amounts		
Q1 2018			
As previously reported	€ 972.2	€ 420.2	€ 31.2
Revision	(11.0)	(11.9)	(11.9)
As retrospectively revised	€ 961.2	€ 408.3	€ 19.3
Q1 2017			
As previously reported	€ 1,012.7	€ 432.2	€ 54.0
Revision	1.0	1.0	1.0
As retrospectively revised	€ 1,013.7	€ 433.2	€ 55.0
Q1 2018 change versus Q1 2017			
As previously reported	(4.0%)	(2.8%)	
As retrospectively revised	(5.2%)	(5.7%)	

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", "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. 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 Q2 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.