Telenet – H1 2016 Results

Investor & Analyst Call

July 28, 2016

Safe harbor disclaimer

Safe Harbor Statement under the U.S. Private Securities Litigation Reform Act of 1995.

Various statements contained in this document constitute "forward-looking statements" as that term is defined under the U.S. Private Securities Litigation Reform Act of 1995. Words like "believe," "anticipate," "should," "intend," "plan," "will," "expects," "estimates," "projects," "positioned," "strategy," and similar expressions identify these forward-looking statements related to our financial and operational outlook; future growth prospects;, strategies; product, network and technology launches and expansion and the anticipated impact of the acquisition of BASE Company NV on our combined operations and financial performance, which involve known and unknown risks, uncertainties and other factors that may cause our actual results, performance or achievements or industry results to be materially different from those contemplated, projected, forecasted, estimated or budgeted whether expressed or implied, by these forward-looking statements. These factors include: potential adverse developments with respect to our liquidity or results of operations; potential adverse competitive, economic or regulatory developments; our significant debt payments and other contractual commitments; our ability to fund and execute our business plan; our ability to generate cash sufficient to service our debt; interest rate and currency exchange rate fluctuations; the impact of new business opportunities requiring significant up-front investments; our ability to attract and retain customers and increase our overall market penetration; our ability to compete against other communications and content distribution businesses; our ability to maintain contracts that are critical to our operations; our ability to respond adequately to technological developments; our ability to develop and maintain back-up for our critical systems; our ability to continue to design networks, install facilities, obtain and maintain any required governmental licenses or approvals and finance construction and development, in a timely manner at reasonable costs and on satisfactory terms and conditions; our ability to have an impact upon, or to respond effectively to, new or modified laws or regulations; our ability to make value-accretive investments; and our ability to sustain or increase shareholder distributions in future periods. We assume no obligation to update these forward-looking statements contained herein to reflect actual results, changes in assumptions or changes in factors affecting these statements.

Adjusted EBITDA and Free Cash Flow are non-GAAP measures as contemplated by the U.S. Securities and Exchange Commission's Regulation G. For related definitions and reconciliations, see the Investor Relations section of the Liberty Global plc website (http://www.libertyglobal.com/). Liberty Global plc is our controlling shareholder.

Executive Summary

Highlights for H1 2016

Strategic Highlights

- Go-live of **new organization**
  - Continued focus on cable and mobile customers
  - Deliver on 2020 annual run-rate synergies of €220.0 million
  - Restructure and optimize our current intra-group structure in early August 2016 with a view to unlock future value
- **Full MVNO extension** until end Dec 31, 2018
  - Additional flexibility to migrate our mobile customers to the BASE[1] network
  - Doesn't prevent us from migrating customers early and first friendly user trials have started on network migration
- Successful "**WIGO" launch** late June 2016
  - First all-in-one converged offering in Belgium
  - Reached almost 13,000 "WIGO" subscribers at the end of June 2016, only after nine working days
- Further improvement of our **entertainment** offers
  - "Chaussée d'Amour": 0.5m downloads in first two weeks, making it most viewed series in our history
  - "Play Sports": new commentators, sports documentaries and available now on both cellular and WiFi network

Operational & Financial Highlights

- Net subscriber **growth for our advanced fixed services[2] up 26% qoq**
- **Added net 27,700 mobile postpaid subscribers** in Q2 2016 driven by
  - Our "Family Deal" and "WIGO" offers
  - Improved momentum at BASE following successful handset offers and postpaid promotions
- **Rebased[3] revenue and Adjusted EBITDA growth of 4% and 2% yoy in H1 2016**
- Substantial **Free Cash Flow improvement in Q2 2016** versus weak Q1 2016
- FY 2016 **outlook reconfirmed**
- **On track to reach our medium-term outlook** of 5-7% rebased Adjusted EBITDA growth ('CAGR')[4] over the 2015-2018 period

1. BASE refers to Telenet Group BVBA (formerly BASE Company NV), which was acquired on February 11, 2016
2. Advanced fixed services refer to broadband internet, enhanced video and fixed-line telephony
3. On a rebased basis – please see Definitions for additional information
4. Compound Annual Growth Rate

Launch of “WIGO”, our first all-in-one converged offering for families and businesses

Unlimited free calls and texts
Fixed and mobile

Digital TV on all screens. Includes YeloTV, PVR and basic cable fee

Enjoy 200 Mbps downstream speed
No download cap[1]

Mobile data allowance to be shared among individual family members

2 GB	5 GB	10 GB
Up to 2 SIMs	Up to 5 SIMs	Up to 5 SIMs
€100	**€120**	**€140**

13,000 “WIGO“ subscribers at June 30, 2016

22%
quad-play[2] penetration

Important **milestone in the commercial integration** of Telenet and BASE

1. 200 GB monthly broadband volume for “WIGO” customers with 2GB mobile data (€100 plan)
2. Quad-play penetration measured relative to total number of cable customers

Further traction for our entertainment subscription video-on-demand packages

331,500 “Play“ and “Play More“ subscribers as of June 30, 2016, +50% yoy

„Chaussée d‘Amour“ most frequently downloaded series ever on our platform

26% of enhanced digital TV customers using our “Yelo Play“ app

Combined with an unparallelled sports offering in the Belgian market

224,300 "Play Sports" customers at June 30, 2016, +10% yoy

Impressive sports content

- Watch all **Jupiler Pro League** games live.
- We added the Primera Division to our range in December and we extended the UK Premier League by another three seasons. This means **we have all major European leagues**, as we also broadcast the Bundesliga, Serie A, Eredivisie and Ligue 1.
- **We also broadcast other sports**, such as cyclo-cross, Formula 1, MXGP[1], WRC[2], volleyball, basketball, hockey, golf and NFL[3].

The most impressive coverage on and off the pitch

- Beginning this summer, we are presenting all the action with more focus than ever before, with **8 HD channels**.
- **Karl Vannieuwkerke** and **Gilles De Coster** will discuss the games with experts and well-known faces in a **state-of-the-art virtual reality studio**.
- **We will be presenting even more of our own programs**, such as a new series of the iconic documentary series Belga Sport.
- **The app and website received a major update.** From now on, you can watch live games on any WiFi or 3G/4G cellular network, and we have also added new features such as multiview and Fan Arena.

1. Motocross World Championship
2. World Rally Championship
3. National Football League

Paired with our proactive customer visits

Completed 240,000 proactive customer visits under our "Helemaal Mee Tournee", leading to an NPS[1] boost and acting as a true differentiator vs competion

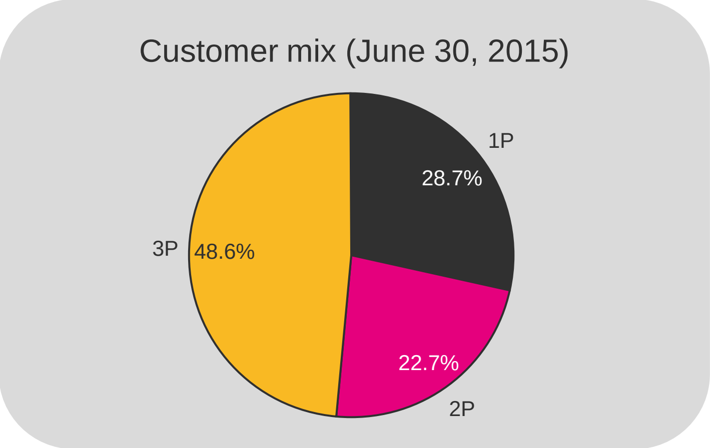
- Check and **improve indoor WiFi coverage** and connect all devices to the optimal WiFi access points;
- **Install** all relevant **Telenet apps** (Support, Mobile, Yelo Play, Play Sports) and reset forgotten passwords;
- Making sure **your set-top box is optimally connected** to your TV and provide a free modem upgrade if necessary.

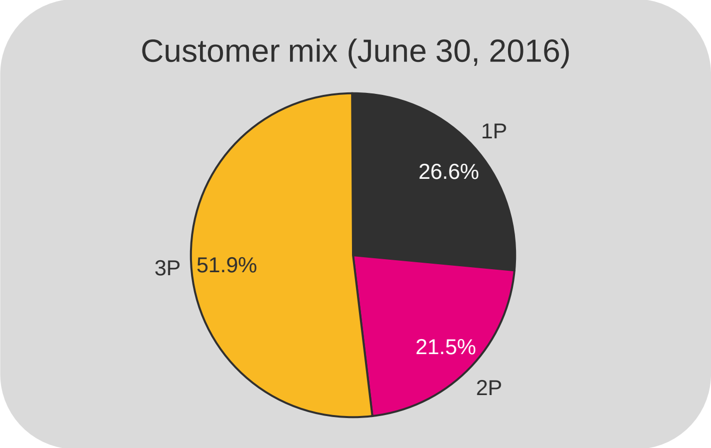
1. Net Promotor Score

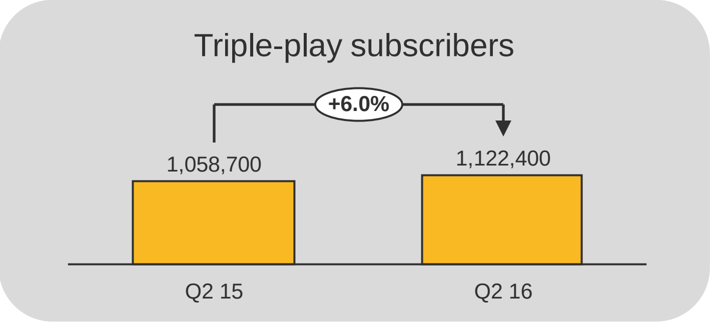
Operational Highlights

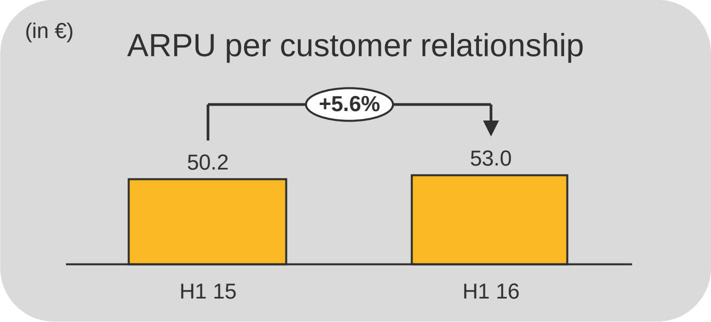
Multiple-play penetration

Triple-play subscribers up 6% in Q2 2016, representing around 52% of our customer base



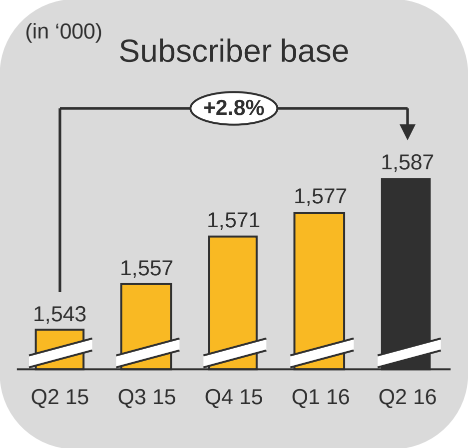


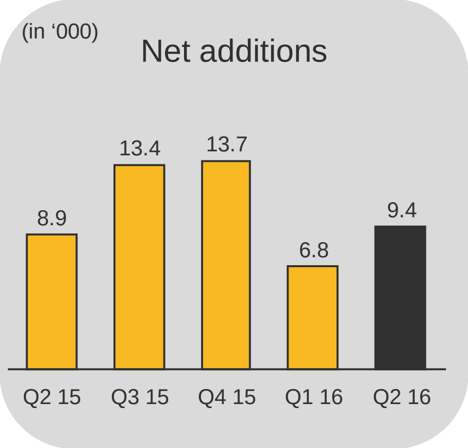


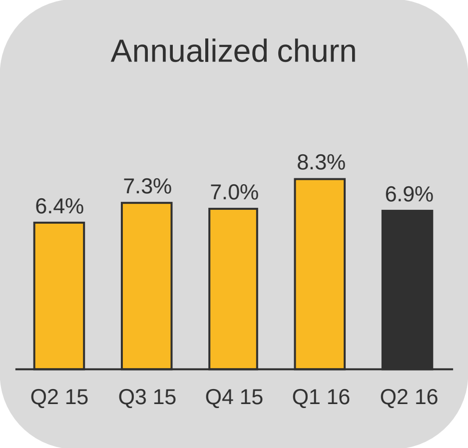


Broadband internet

Improved sequential net subscriber growth, despite Q2 historically being a softer sales quarter in our business



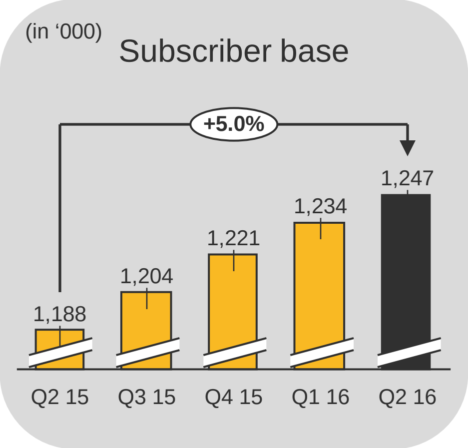


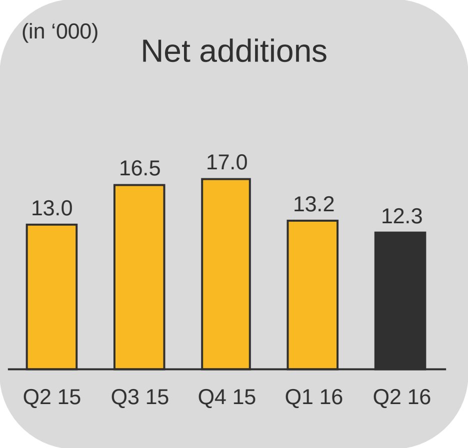


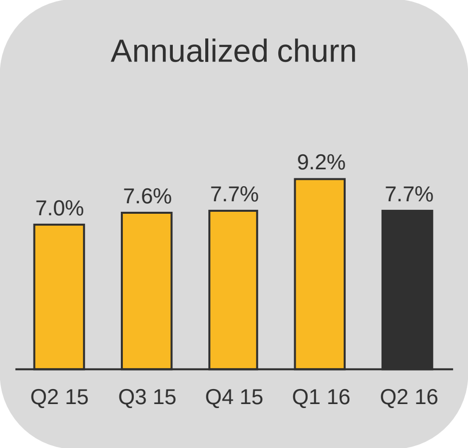
- **9,400 net broadband internet subscriber additions** in Q2 2016, a strong improvement compared to the prior quarter despite Q2 historically being a softer sales quarter in our business;
- **1,586,700 broadband internet subscribers** at June 30, 2016, +3% yoy, resulting in a 53.5% penetration of homes passed by our leading HFC network;
- **Annualized churn of 6.9%** in Q2 2016**,** down 140 basis points sequentially, driven by (i) the beneficial impact of our proactive customer visits, (ii) the fading impact of the February 2016 price adjustments, and (iii) our successful targeted marketing campaigns.

Fixed-line telephony

Approximatelly 42% of homes passed subscribed to our attractive fixed-line telephony offers at June 30, 2016



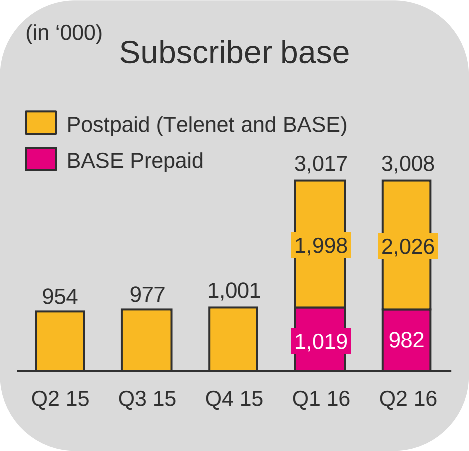


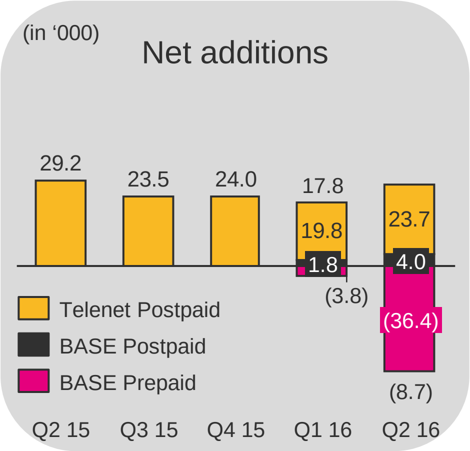


- **12,300 net fixed-line telephony subscriber additions** in Q2 2016, as we continue to successfully sell our “Whop” and “Whoppa” triple-play bundles to both new and existing customers;
- **1,246,500 fixed-line telephony subscribers** at June 30, 2016, up 5% yoy, equivalent to a 42.1% penetration of homes passed by our network;
- **Annualized churn of 7.7%** in Q2 2016, a 150 basis points improvement sequentially, but still up yoy due to the competitive environment and the impact from the February 2016 price adjustments.

Mobile telephony

Solid net mobile postpaid subscriber growth driven by “Family Deal” offers, “WIGO” product launch and gradual improvement in BASE’s postpaid results

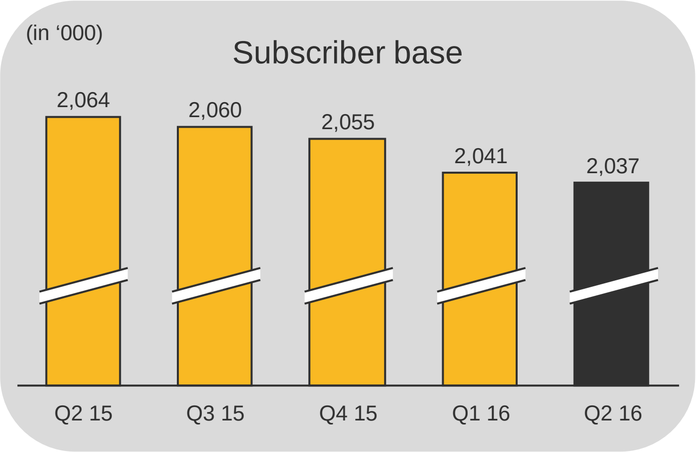


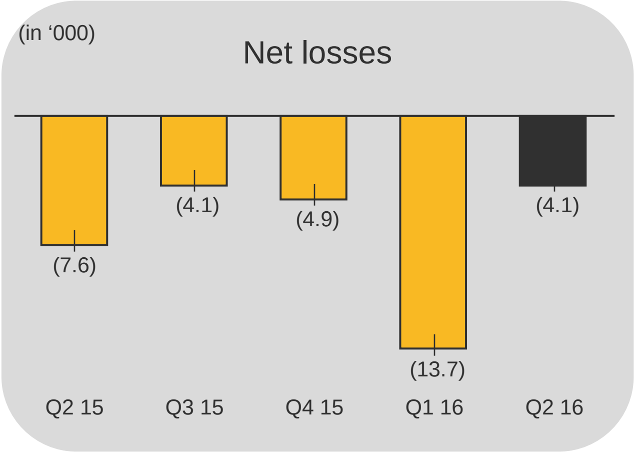


- **Solid 27,700 net mobile postpaid subscribers added in Q2 2016** through (i) our attractive "Family Deal" offers, (ii) the first effects from our recent "WIGO" product launch, and (iii) gradual improvement in BASE's results driven by attractive handset offers and postpaid promotions;
- Including prepaid mobile subscribers, our total mobile subscriber base decreased by 8,700 in Q2 2016 compared to Q1 2016 attributable to a **net loss of 36,400 mobile prepaid subscribers** offsetting our solid postpaid net subscriber additions.

Video

Net organic loss rate in Q2 2016 recovered following an increase in Q1 2016

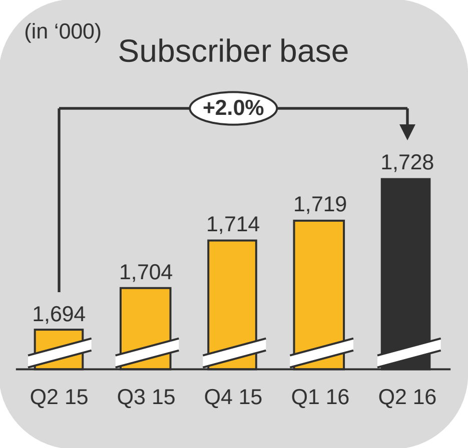


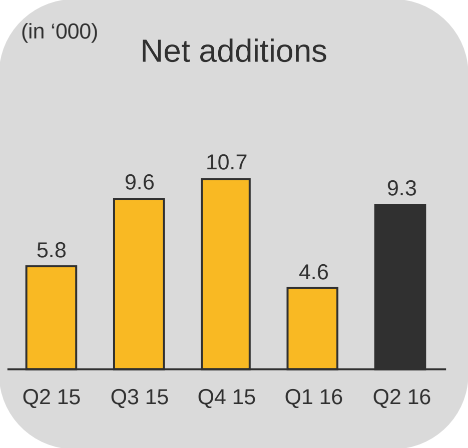


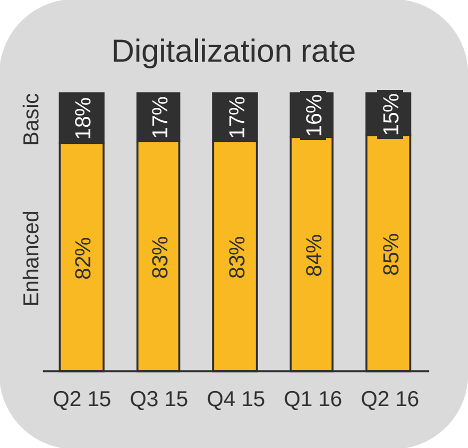
- **2,037,000 video subscribers** at June 30, 2016, representing approximately 69% of the homes passed by our network;
- Following a weak Q1 2016, which was adversely impacted by the February 2016 price adjustments and the intensely competitive environment, **our net organic loss rate in Q2 2016 recovered to 4,100** despite increased availability of alternative platforms.

Enhanced video

Around 85% of video customers have upgraded to our enhanced video platform



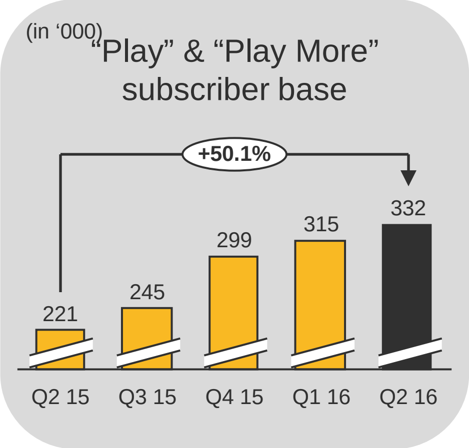


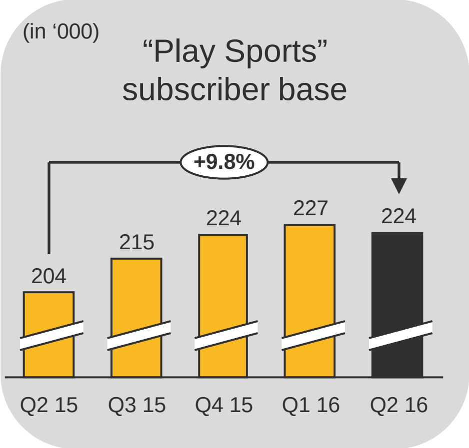


- **9,300 net enhanced video subscribers added** in Q2 2016, an important improvement both yoy and qoq, driven by our bundled offers and the availability of attractive local and international content;
- **1,728,100 enhanced video subscribers** at June 30, 3016, up 2% yoy, and representing around 85% of our total video subscriber base;
- Active user base of **"Yelo Play",** our OTT platform, reached **approximately 26% of our enhanced video subscriber base** at June 30, 2016.

Unique positioning in premium entertainment

Continued traction in entertainment sVOD packages and revamped “Play Sports” offer with an unparallelled sports offering in the Belgian market



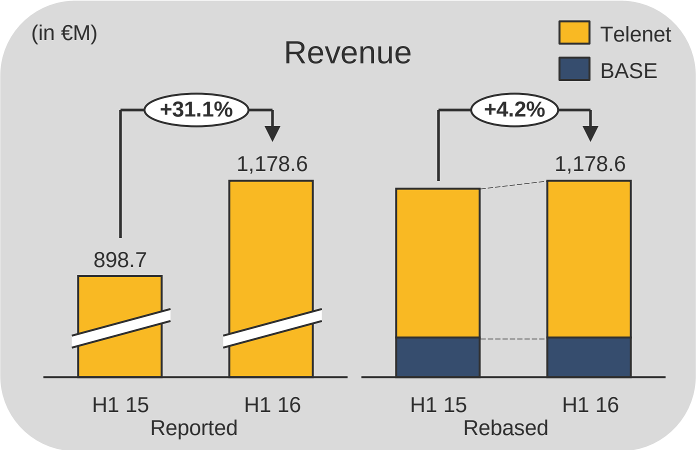


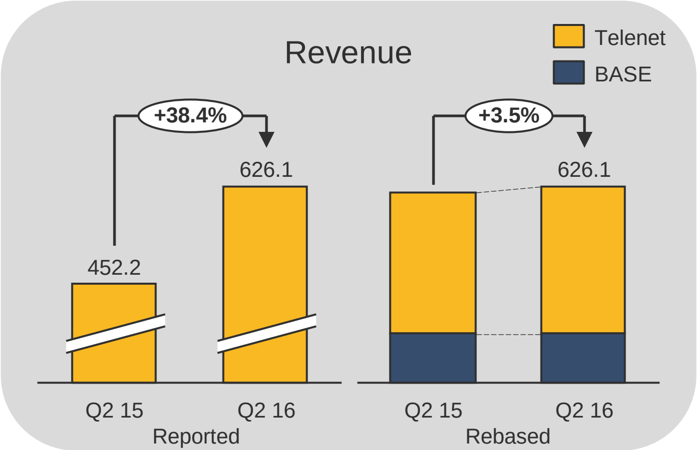
- **“Play” and “Play More” had 331,500 customers** at June 30, 2016, up 50% compared to Q2 2015 and driven in part by temporary promotions and the launch of our own proprietary local television series “Chaussée d'Amour” mid-May 2016;
- At June 30, 2016, **224,300 customers subscribed to “Play Sports”**, up 10% yoy, but an anticipated slight sequential decrease as the regular season ended for several major football championships;
- The Belgian football season kicks off on July 29, 2016 and we are excited about the **new features of our offering - including two new anchors, exclusive sports documentaries and the availability of our "Play Sports" app across all networks** (both 3G/4G cellular and WiFi).

Financial Highlights

Revenue of €1,178.6 million, +4% yoy rebased[1]

Solid mid-single-digit top line growth of our cable business partly offset by continued pressure on our recently acquired mobile business



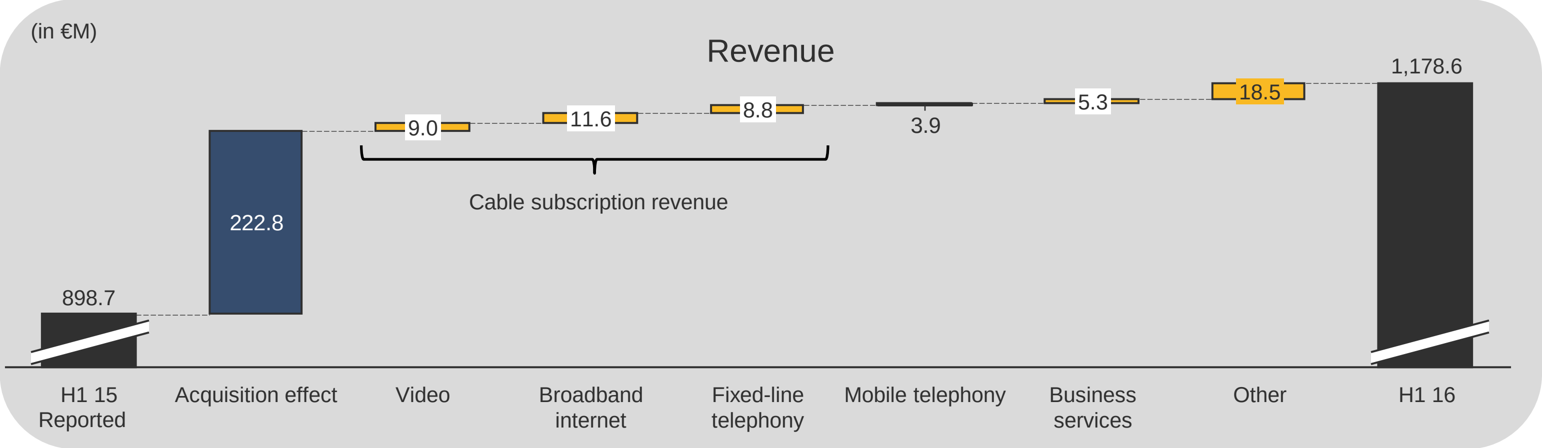


- **Revenue of €1,178.6 million in H1 2016**, +31% yoy on a reported basis. Year-to-date, we achieved **4% rebased revenue growth** driven by (i) higher cable subscription revenue, (ii) higher B2B revenue, and (iii) higher revenue related to our "Choose Your Device" programs launched mid-2015;
- **Revenue of €626.1 million in Q2 2016**, +38% yoy on a reported and +3% yoy on a rebased basis, respectively, impacted by the inclusion of BASE for the full quarter versus only 6 weeks in Q1 2016;
- In line with our FY 2016 outlook, **we anticipate our top line growth rate to decline in H2 2016 versus H1 2016** driven by adverse regulatory and competitive impacts and as our H2 2015 revenue already reflected higher revenue from our “Choose Your Device” programs.

1. On a rebased basis – please see Definitions for additional information

All product lines contributing to our top line growth

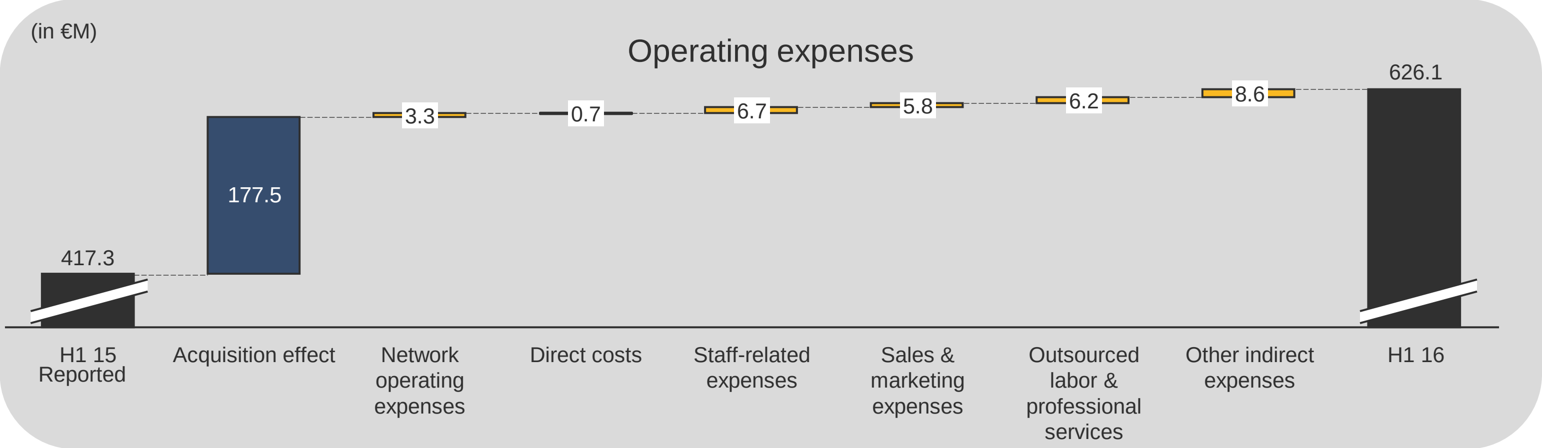
Solid revenue growth across the board driven by higher cable subscription revenue, higher business services revenue and growth in mobile telephony



- Acquisition of mobile operator **BASE contributing €222.8 million to our revenue since February 11, 2016**;
- **Cable subscription revenue up 4% yoy** driven by continued growth in our fixed RGU base and the benefit from the February 2016 price adjustments, partly offset by increased bundle discounts;
- **B2B revenue up €5.3 million yoy**, driven by (i) higher revenue from carrier services for mobile, (ii) higher security-related revenue and (iii) higher revenue from business connectivity solutions;
- **Other revenue up €18.5 million yoy**, primarily reflecting higher revenue from the sale of standalone handsets and the impact of our "Choose Your Device" programs launched mid-2015.

Operating expenses

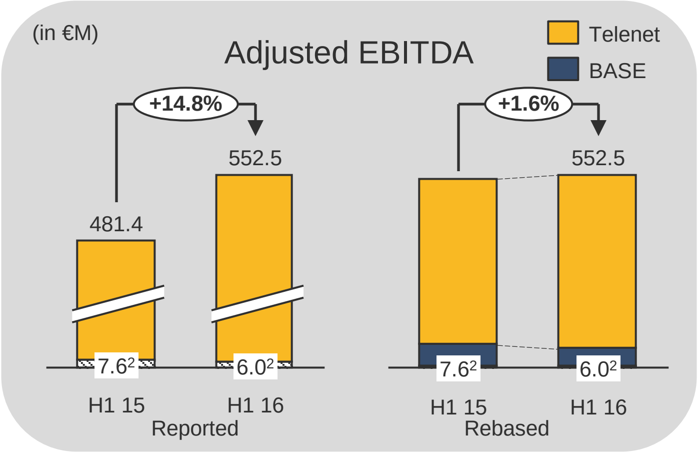
Operating expenses up 8% yoy (excluding BASE acquisition), reflecting €5.2 million higher integration costs and lower nonrecurring benefit vs last year

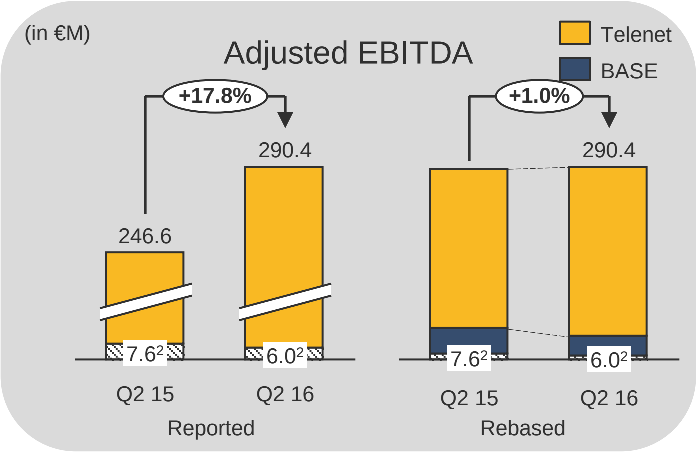


- **Our operating expenses for both H1 2016 and H1 2015 reflected nonrecurring favorable benefits of €6.0 million** (reflected under 'direct costs') **and €7.6 million** (reflected under 'other indirect expenses'), respectively, linked to the resolution of certain operational contingencies;
- In addition, we incurred **€5.2 million higher costs in H1 2016 relative to H1 2015 as a result of the BASE integration** (reflected under 'outsourced labor & professional services');
- **Higher staff-related expenses** primarily reflecting temporary backfill during the integration process;
- **Higher sales and marketing expenses** reflecting our latest marketing campaigns and timing variances in our campaigns compared to last year.

Adjusted EBITDA of €552.5 million, +2% yoy rebased[1]

Positive impact from continued multiple-play growth and ongoing focus on operational excellence offset by higher BASE integration costs





- **Adjusted EBITDA of €552.5 million in H1 2016**, +15% yoy and +2% yoy on a rebased basis;
- **Adjusted EBITDA for both H1 2016 and H1 2015 included nonrecurring benefits of €6.0 million and €7.6 million**, respectively, linked to the settlement of certain operational contingencies. Adjusted EBITDA growth in H1 2016 was **adversely impacted by €5.2 million higher BASE integration costs** and higher commercial costs at BASE;
- **Q2 2016 Adjusted EBITDA of €290.4 million**, +18% yoy and +1% yoy rebased, as a result of the aforementioned drivers.

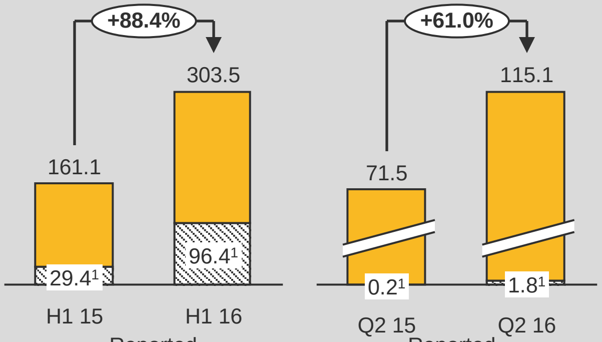
1. On a rebased basis – please see Definitions for additional information
2. Our Adjusted EBITDA for both H1 2016 and H1 2015 included nonrecurring benefits of €6.0 million and €7.6 million, respectively, linked to the settlement of certain operational contingencies associated with the settlement of our Full-MVNO Arrangement with Orange Belgium and the resolution of a contingency associated with universal obligations, respectively.

Accrued capital expenditures of €303.5 million

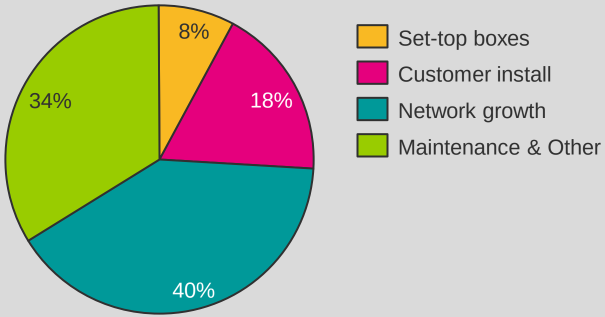
Representing approximately 18% of revenue, excluding the recognition of the Belgian and UK football broadcasting rights

(in €M)

Accrued capital expenditures



Accrued capital expenditures[2]

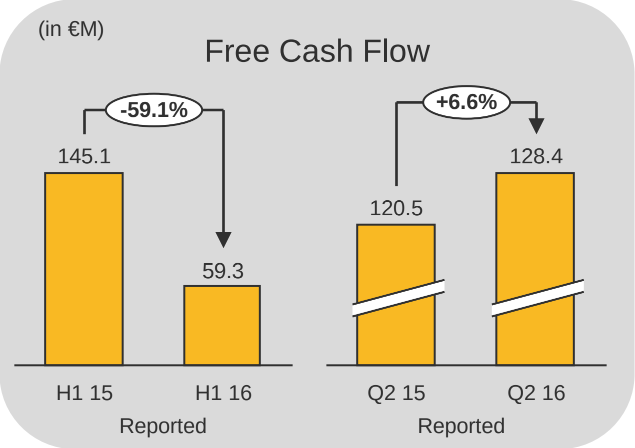


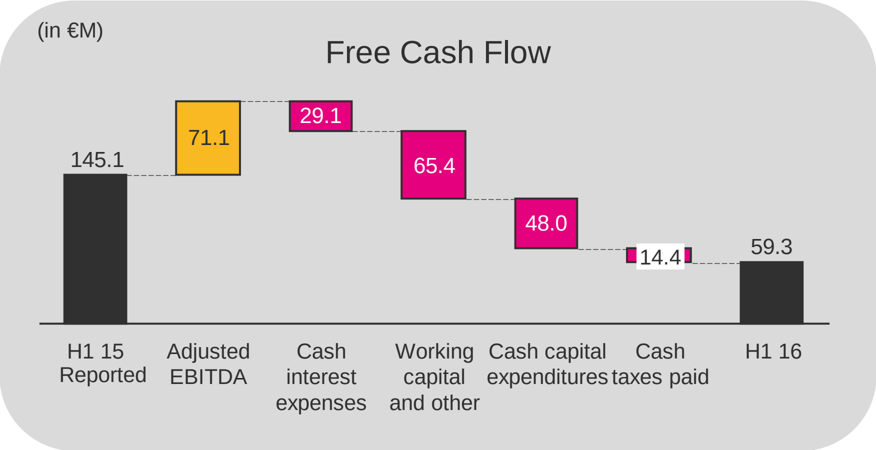
- **Accrued capital expenditures of €303.5 million** for H1 2016, including €34.9 million of accrued capital expenditures for BASE;
- Accrued capital expenditures for both H1 2016 and H1 2015 were impacted by the recognition of football broadcasting rights (see note 1 below);
- **Excluding this impact**, accrued capital expenditures were **approximately 18% of revenue** for H1 2016 with **around 66% of our accrued capital expenditures being scalable and/or growth-related**.

1. Our accrued capital expenditures for both the first six months of 2016 and 2015 reflected the recognition of the Jupiler Pro League broadcasting rights for the 2016-2017 and 2015-2016 seasons, respectively. In addition, our accrued capital expenditures in H1 2016 reflected the extension of the exclusive UK Premier League broadcasting rights for the next three seasons as of the 2016-2017 season. Under EU IFRS, these broadcasting rights have been capitalized as intangible assets and will be amortized on a pro-rata basis as the season progresses.
2. Excluding football broadcasting rights

Free Cash Flow of €59.3 million

Free Cash Flow significantly improved in Q2 2016 following a weak Q1, driven by robust net cash growth from our operating activities

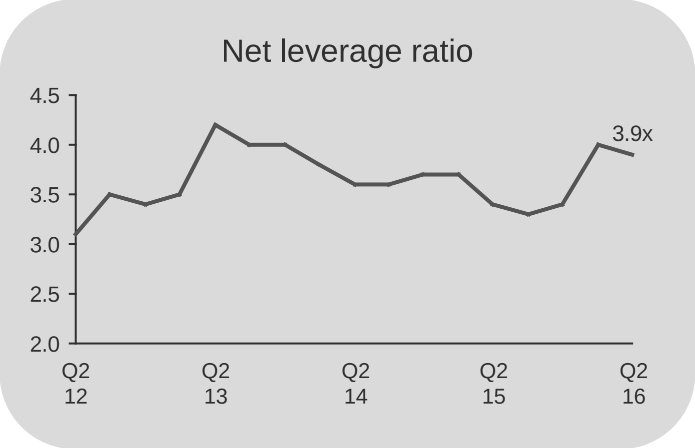


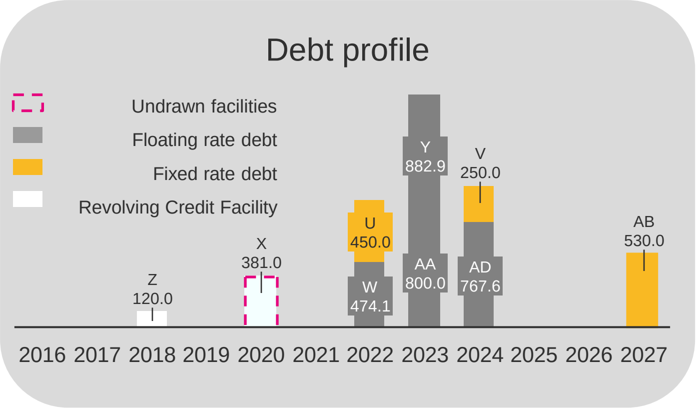


- **Free Cash Flow of €59.3 million in H1 2016** compared to €145.1 million in H1 2015.;
- Compared to Q1 2016, when our Free Cash Flow was negatively impacted by (i) a nonrecurring €23.5 million cash outflow following a favorable contract renegotiation, (ii) the payment of €18.7 million ticking fees linked to the BASE acquisition, and (iii) a negative trend in our working capital following the BASE acquisition, **our Free Cash Flow markedly improved in Q2 2016 to €128.4 million** as a result of strong growth in our operating cash flow.

Net leverage ratio of 3.9x at June 30, 2016

Higher net leverage ratio compared to end-2015 reflected the BASE acquisition





- **Net leverage ratio of 3.9x** at June 30, 2016 as compared to 3.4x at December 31, 2015, reflecting the acquisition of BASE in February 2016, which was largely debt-financed;
- **Successful refinancing of €700.0 million Senior Secured Notes due 2021** in June 2016 through the issuance in May 2016 of a USD 850.0 million Term Loan, resulting in an **increased average tenor of 7.4 years and a weighted average cost of debt of 4.4%**;
- **No outstanding debt maturities prior to 2022**, excluding our short-term €120.0 million revolving credit facilities which we intend to repay by year-end 2016.

Reconfirming our FY 2016 outlook and medium-term outlook

In line with our FY outlook, we anticipate a decline in rebased growth rates in H2 2016 versus H1 2016

	FY 2016	
Revenue growth (rebased)	**Up to 2%**	Driven by growth in our 3P and 4P bundles, including the favorable impact from the February 2016 price adjustments, B2B and mobile businesses. The aforementioned growth is partially offset by adverse regulatory and competitive impacts
Adjusted EBITDA growth (rebased)	**Stable**	2016 includes strong Adjusted EBITDA growth resulting from our existing 3P, 4P and B2B businesses, offset by integration costs and adverse regulatory and competitive impacts, including roaming
Accrued capital expenditures (as % of revenue)	**Around 23%[1]**	Investing for the future to create a leading integrated network. Reflects both higher spending on our 1 GHz HFC network upgrade project and investments in BASE's mobile network as part of our 2020 Vision
Free Cash Flow	**€175 to €200 million[2]**	Despite our significant fixed and mobile network capex investments, higher cash interest expenses as a result of increased indebtedness following the BASE acquisition, and several non-recurring items, we still aim deliver a solid Free Cash Flow for the full year 2016

Targeting 5-7% rebased Adjusted EBITDA growth over the 2015-2018 period ('CAGR')[3]

1. Excluding the recognition of football broadcasting rights
2. Assuming the tax payment on our 2015 tax return will not occur until early 2017
3. Compound Annual Growth Rate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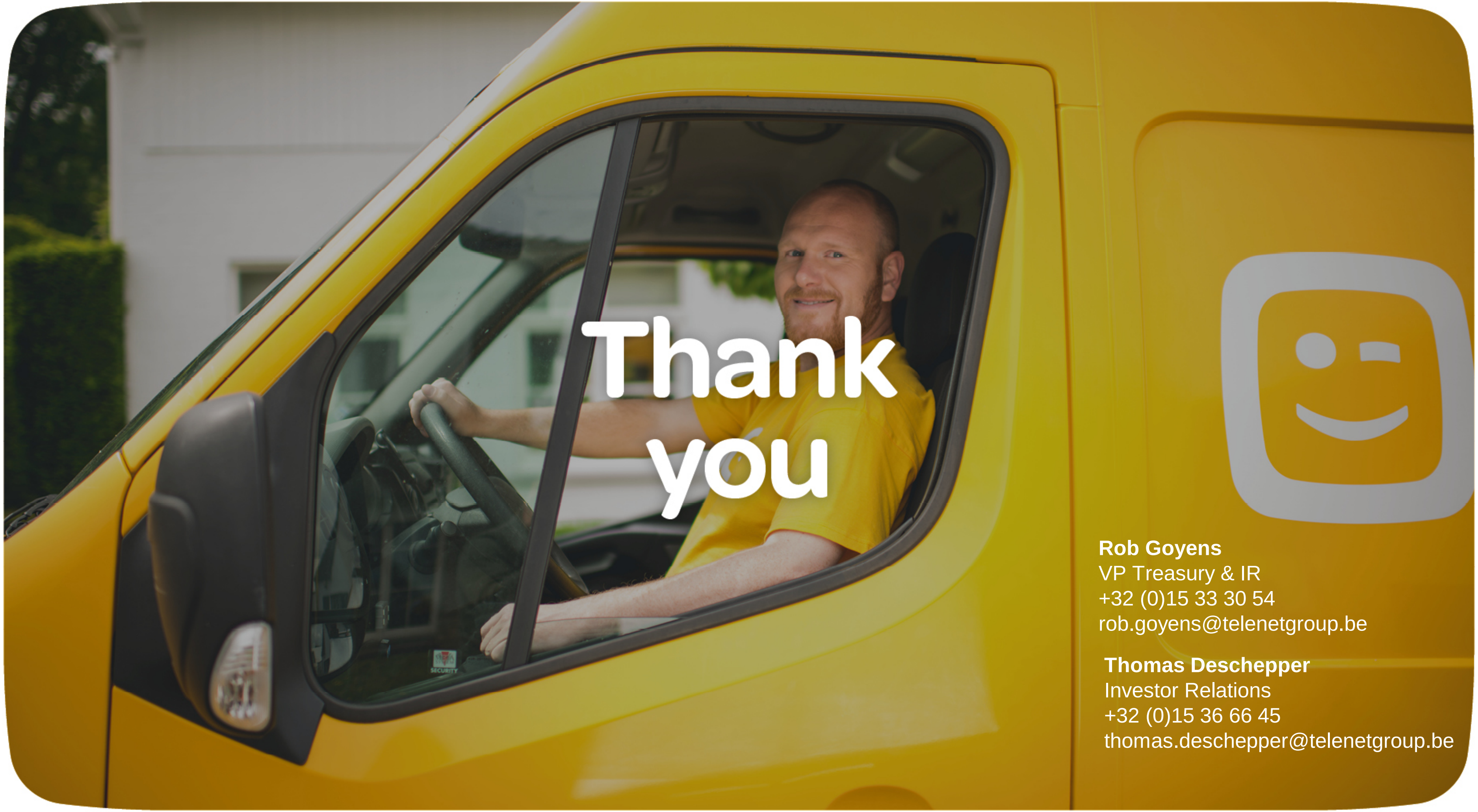
Q & A



Thank you

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Important reporting changes

Free Cash Flow: In Q3 2015, we changed our Free Cash Flow definition to further align with our controlling shareholder. From July 1, 2015, Free Cash Flow is defined as net cash provided by the Company's continuing operations, plus (i) cash payments for third-party costs directly associated with successful and unsuccessful acquisitions and divestitures and (ii) expenses financed by an intermediary, less (i) purchases of property and equipment and purchases of intangibles of its continuing operations, (ii) principal payments on capital-related vendor financing obligations, (iii) principal payments on capital leases (exclusive of network-related leases that were assumed in acquisitions), and (iv) principal payments on post acquisition additions to network leases, each as reported in the Company's consolidated statement of cash flows. This adjustment had no impact on the Company's Free Cash Flow for the prior year quarters.

ARPU per customer relationship: In Q4 2015, we changed the way we calculate the ARPU per customer relationship to further align with our controlling shareholder by excluding channel carriage revenue and including revenue from small or home office ("SoHo") customers. From Q4 2015, the ARPU per customer relationship is calculated by dividing the average monthly subscription revenue (excluding mobile services, B2B services, interconnect, channel carriage fees, mobile handset sales and installation fees) for the indicated period, by the average of the opening and closing balances for customer relationships for the period. We have also applied these changes retroactively to the prior year quarters.

Reminder fees and carriage fees: In Q1 2016, we changed the way we present the billed reminder fees and carriage fees in order to further align with our controlling shareholder. As from January 1, 2016, carriage fees will no longer be recognized as revenue, but will be netted off against our direct expenses as we consider charged carriage fees and our purchase of distributable content as a single transaction going forward. In addition, reminder fees will be recognized as revenue from January 1, 2016 as these fees are considered to represent a separately identifiable revenue stream, whereas previously reminder fees were recognized net of the related costs in our indirect expense line. The two aforementioned changes in presentation favorably impacted our revenue for H1 2016 by €7.3 million (Q1 2016 and Q2 2016: €3.6 million and €3.7 million, respectively) and our FY 2015 revenue by €13.4 million (Q1 and Q2 2015: €3.1 million and €3.5 million, respectively), but did not impact our Adjusted EBITDA and cash flows. We have also applied these changes retroactively to the prior year quarters.

Expenses by nature: In Q1 2016, we changed the way we present our total expenses to align with our internal reporting framework. As a consequence, we now provide more detailed disclosure of our operating expenditure, whereas the vast majority of our operating expenses were previously predominantly captured under "network operating and service costs". The representation of our expenses did not impact our Adjusted EBITDA and operating profit. We have also applied these changes retroactively to the prior year quarters.

Definitions

a) For purposes of calculating **rebased growth** rates on a comparable basis for the three and six months ended June 30, 2016, we have adjusted our historical revenue and Adjusted EBITDA for the three and six months ended June 30, 2015 to include the pre-acquisition revenue and Adjusted EBITDA of BASE in our rebased amounts for the three and six months ended June 30, 2015 to the same extent that the revenue and Adjusted EBITDA are included in our results for the three and six months ended June 30, 2016 (BASE being fully consolidated since February 12, 2016). We do not adjust pre-acquisition periods to eliminate non-recurring items or to give retroactive effect to any changes in estimates that might be implemented during post-acquisition periods. As we did not own or operate the acquired businesses during the pre-acquisition periods, no assurance can be given that we have identified all adjustments necessary to present the revenue and Adjusted EBITDA of these entities on a basis that is comparable to the corresponding post-acquisition amounts that are included in our historical results or that the pre-acquisition financial statements we have relied upon do not contain undetected errors. In addition, the rebased growth percentages are not necessarily indicative of the revenue and Adjusted EBITDA that would have occurred if these transactions had occurred on the dates assumed for purposes of calculating our rebased amounts or the revenue and Adjusted EBITDA that will occur in the future. The rebased growth percentages have been presented as a basis for assessing growth rates on a comparable basis, and are not presented as a measure of our pro forma financial performance.

b) **Under "Choose Your Device" contractual arrangements**, which include separate contracts for the mobile handset and airtime, we generally recognize the full sales price for the mobile handset upon delivery as a component of other revenue, regardless of whether the sales price is received upfront or in installments. Revenue associated with the airtime services is recognized as mobile subscription revenue over the contractual term of the airtime services contract. Prior to the launch of "Choose Your Device" in July 2015, handsets were generally provided to customers on a subsidized basis. As a result, revenue associated with the handset was only recognized upfront to the extent of cash collected at the time of sale, and the monthly amounts collected for both the handset and airtime were included in mobile subscription revenue over the term of the contract. Handset costs associated with "Choose Your Device" handset revenue are expensed at the point of sale.

c) **EBITDA** is defined as profit before net finance expense, the share of the result of equity accounted investees, the share of the result of equity accounted investees, income taxes, depreciation, amortization and impairment. **Adjusted EBITDA** is defined as EBITDA before stock-based compensation and restructuring charges, and before operating charges or credits related to successful or unsuccessful acquisitions or divestitures. Operating charges or credits related to acquisitions or divestitures include (i) gains and losses on the disposition of long-lived assets and (ii) due diligence, legal, advisory and other third-party costs directly related to the Company's efforts to acquire or divest controlling interests in businesses. Adjusted EBITDA is an additional measure used by management to demonstrate the Company's underlying performance and should not replace the measures in accordance with EU IFRS as an indicator of the Company's performance, but rather should be used in conjunction with the most directly comparable EU IFRS measure.

d) **Accrued capital expenditures** are defined as additions to property, equipment and intangible assets, including additions from capital leases and other financing arrangements, as reported in the Company's consolidated statement of financial position on an accrued basis.

Definitions

- **e)** **Free Cash Flow** is defined as net cash provided by the Company's continuing operations, plus (i) cash payments for third-party costs directly associated with successful and unsuccessful acquisitions and divestitures and (ii) expenses financed by an intermediary, less (i) purchases of property and equipment and purchases of intangibles of its continuing operations, (ii) principal payments on capital-related vendor financing obligations, (iii) principal payments on capital leases (exclusive of network-related leases that were assumed in acquisitions), and (iv) principal payments on post acquisition additions to network leases, each as reported in the Company's consolidated statement of cash flows. Free Cash Flow is an additional measure used by management to demonstrate the Company's ability to service debt and fund new investment opportunities and should not replace the measures in accordance with EU IFRS as an indicator of the Company's performance, but rather should be used in conjunction with the most directly comparable EU IFRS measure.
- **f)** **Basic Video Subscriber** is a home, residential multiple dwelling unit or commercial unit that receives our video service over the Combined 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 Revenue Generating Unites ("RGUs") on a unique premises basis. In other words, a subscriber with multiple outlets in one premise 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.
- **g)** **Enhanced Video Subscriber** is a home, residential multiple dwelling unit or commercial unit that receives our video service over the Combined 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 premise 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.
- **h)** **Internet Subscriber** is a home, residential multiple dwelling unit or commercial unit that receives internet services over the Combined Network.
- **i)** **Fixed-line telephony Subscriber** is a home, residential multiple dwelling unit or commercial unit that receives fixed-line voice services over the Combined Network. Fixed-line telephony Subscribers exclude mobile telephony subscribers.
- j) 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 (via a dongle) would be counted as two mobile subscribers. Customers who do not pay a recurring monthly fee are excluded from our mobile telephony subscriber counts after a 90-day inactivity period.

Definitions

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

l) **Average Revenue Per Unit ("ARPU")** refers to the average monthly subscription revenue per average customer relationship and is calculated by dividing the average monthly subscription revenue (excluding mobile services, B2B services, interconnect, channel carriage fees, mobile handset sales and installation fees) for the indicated period, by the average of the opening and closing balances for customer relationships for the period.

m) **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 census data that can change based on either revisions to the data or from new census results.

n) **RGU** is separately a Basic Video Subscriber, Enhanced Video Subscriber, Internet Subscriber or Telephony Subscriber. A home, residential multiple dwelling unit, or commercial unit may contain one or more RGUs. For example, if a residential customer 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 Fixed-line 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 fixed-line 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, free service to employees) generally are not counted as RGUs. We do not include subscriptions to mobile services in our externally reported RGU counts.

o) **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 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.

p) **Net leverage ratio** is calculated as per the 2015 Amended Senior Credit Facility definition, using net total debt, excluding (a) subordinated shareholder loans, (b) capitalized elements of indebtedness under the Clientele and Annuity Fees, (c) any finance leases entered into on or prior to August 1, 2007, and (d) any indebtedness incurred under the network lease entered into with the pure intermunicipalities up to a maximum aggregate amount of €195.0 million, divided by last two quarters' Consolidated Annualized EBITDA.