# **Telenet** – FY 2015 Results

## Investor & Analyst Presentation

February 10, 2016

# Safe harbor disclaimer

**Safe Harbor Statement under the 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

# A successful end-of-year campaign line-up …

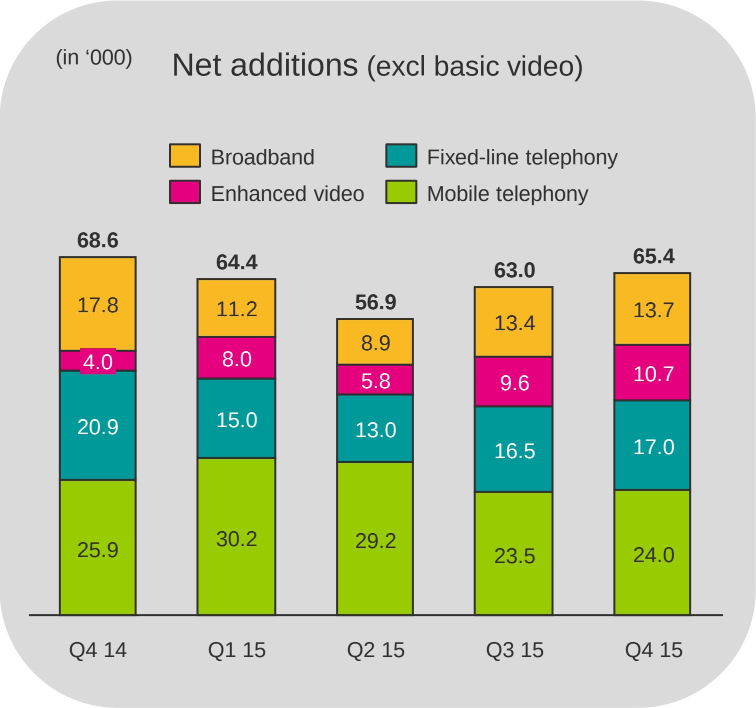
A mix of tactical promotions and communications accentuated the value of both our fixed and mobile offers

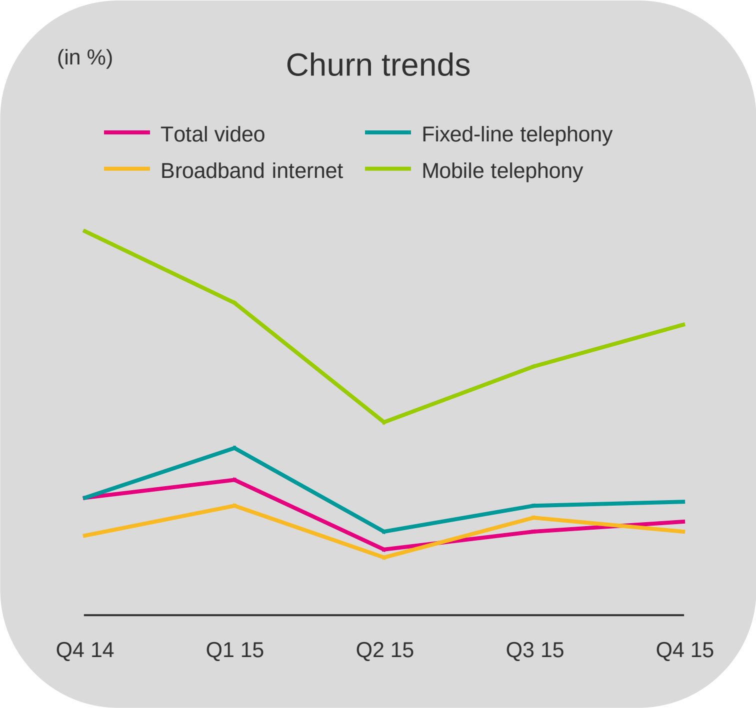
# ... paired with our proactive customer visits ...

Completed 150,000 proactive customer visits under our “Helemaal Mee Tournee”, leading to an NPS boost and acting as a true differentiator vs competion


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

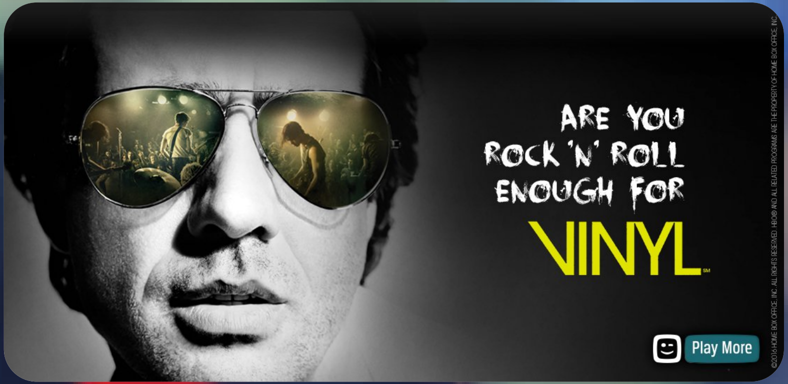
# ... led to solid net subscriber growth and promising customer KPIs, including a 35% NPS improvement



As we reiterated our commitment to entertainment in general and the Belgian creative sector in particular ...

# ... our Play products doubled in subscribers on the back of a strong international / local content portfolio






# We revamped our sports offer with Play Sports ...

Featuring the leading leagues across a variety of sports, presented from a state-of-the-art studio and accessible via a dedicated app

# ... by focusing on genuine product innovation

A strategy which is paying off as our Play Sports subscriber base grew 9% yoy

# Throughout 2015, Telenet Business further refined its SoHo and SME offers

**FreePhone Business**
an easy-to-use virtual PBX based on VoIP technology for SoHo and SME



**Corporate Fibernet 240/25**

# ... and kicked off 2016 with attractive campaigns centered on connectivity and value-added services



# With the imminent legal closing of BASE, our prospects look brighter than ever, both in B2C and B2B

**€240.0M**
**investments /integration costs**

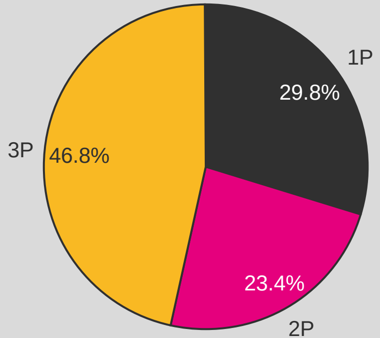
**€150.0M**
**annual run-rate synergies[1]**

# Operational Highlights

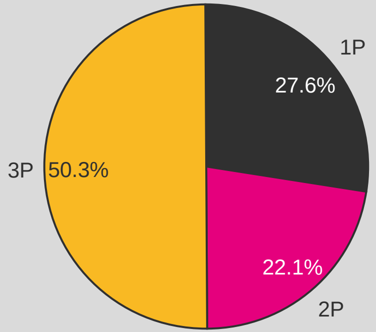
# Multiple-play penetration

## Triple-play subscribers up 6% in Q4 2015, representing around 50% of our customer base

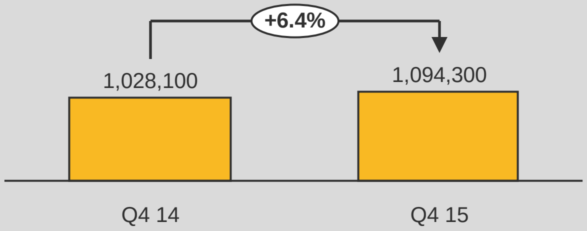
### Customer mix (Dec 31, 2014)




### Customer mix (Dec 31, 2015)

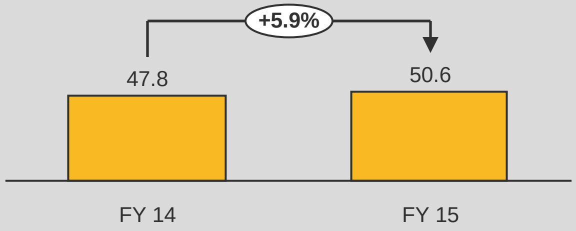



### Triple-play subscribers



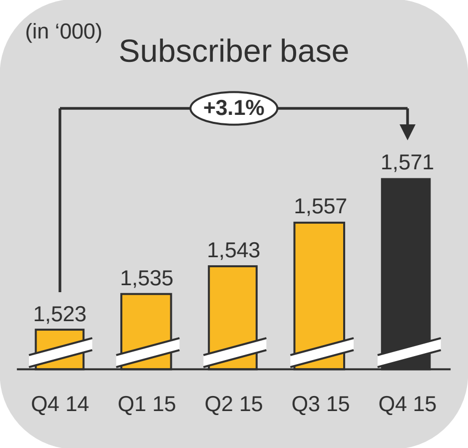

(in €)

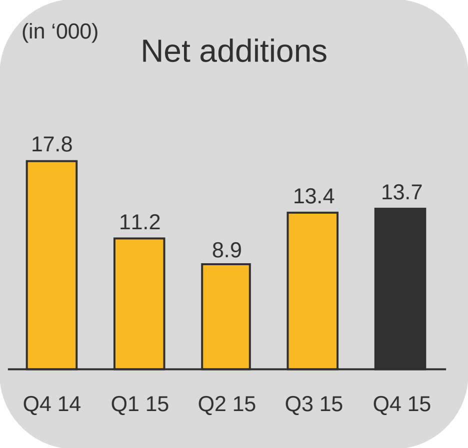
### ARPU per customer relationship

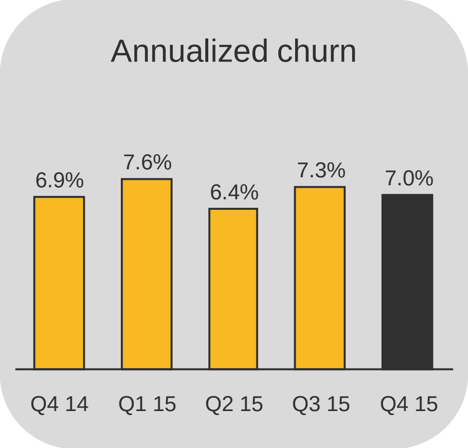


# Broadband internet

## Stable sequential net subscriber growth after a robust Q3, despite the intensely competitive environment



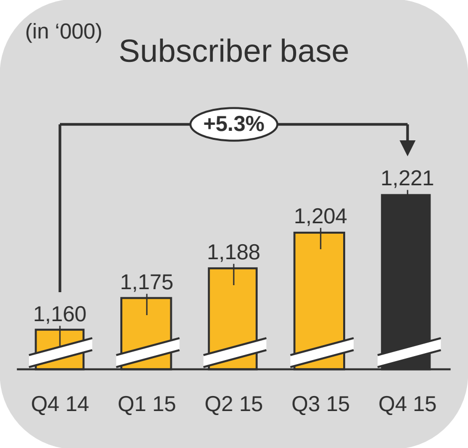



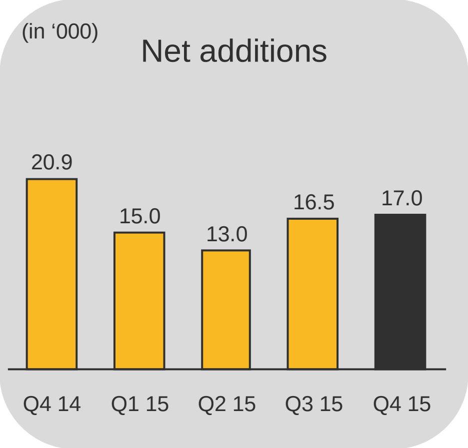



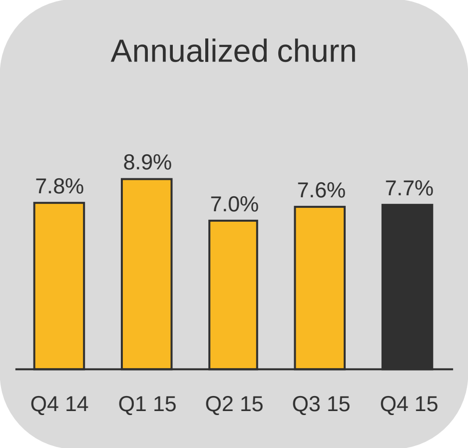

- **13,700 net broadband internet subscriber additions** in Q4 2015, a slight sequential improvement driven by successful promotions and family-centered marketing campaigns;
- Reaching **1,570,500 broadband internet subscribers** at December 31, 2015, +3% yoy, resulting in 53.5% penetration of homes passed by our leading HFC network;
- **Annualized churn of 7.0%** in Q4 2015**,** down 30 basis points sequentially, on the back of our proactive customer visits.

# Fixed-line telephony

## Around 42% of homes passed subscribed to our attractive fixed-line telephony offers at December 31, 2015



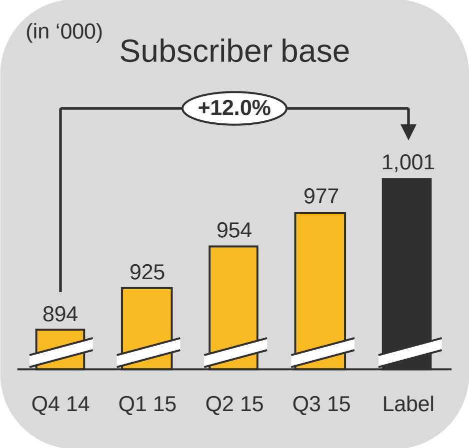



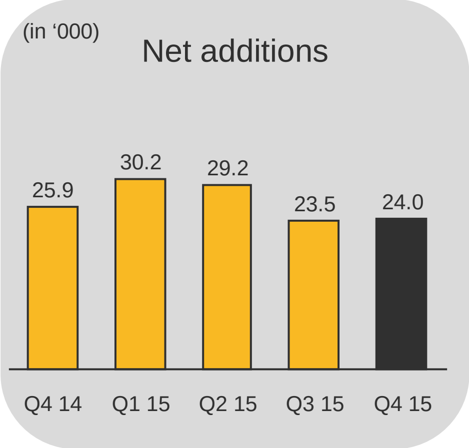



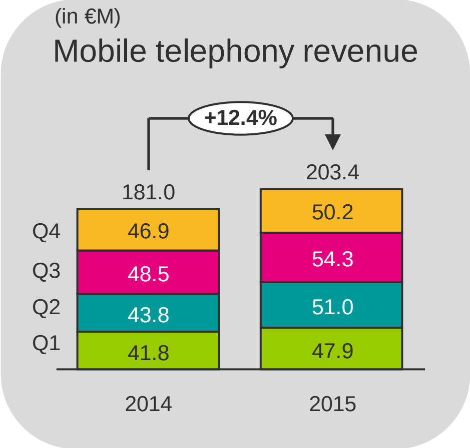

- **17,000 net fixed-line telephony subscriber additions** in Q4 2015, again exceeding net broadband subscriber additions, demonstrating continued triple-play conversion;
- **1,221,000 fixed-line telephony subscribers** at the end of Q4 2015, up 5% yoy, equivalent to 41.6% penetration of homes passed by our network;
- **Annualized churn of 7.7%** in Q4 2015, broadly stable both qoq and yoy;
- **Around 36% of fixed-line telephony subscribers** were actively using our VoIP app “**Triiing**” at December 31, 2015.

# Mobile telephony

## Exceeded 1 million active postpaid SIMs as of December 31, 2015



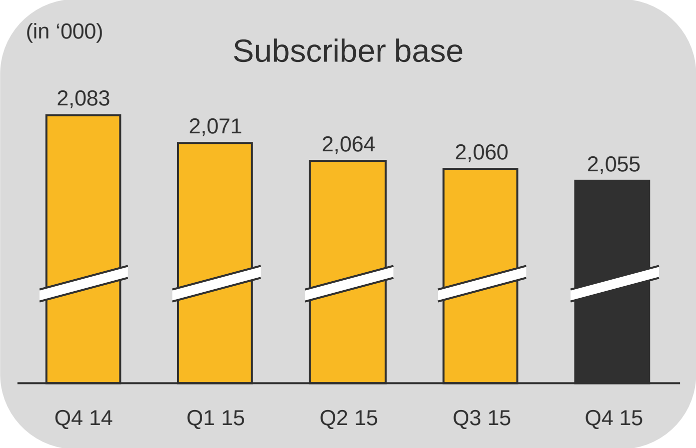



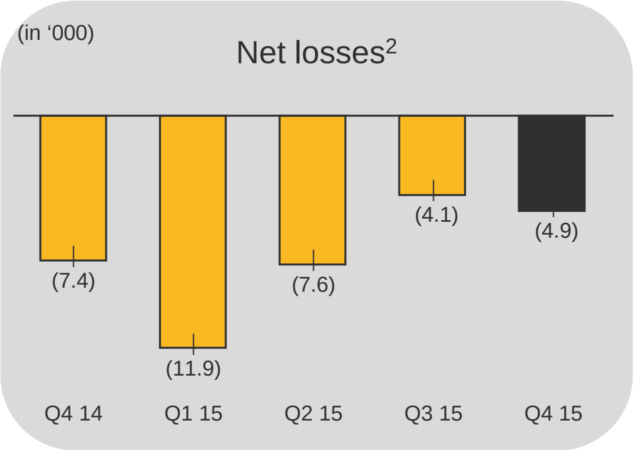




- Continued traction for our **"Family Deal"** proposition and implementation of a **handset financing program** in connection with our "Choose Your Device" program in Q3 2015;
- **24,000 net mobile postpaid subscribers added** in Q4 2015 to 1,001,200 active SIMs at December 31, 2015, despite the intensely competitive environment;
- **Mobile telephony subscription revenue of €203.4 million** in FY 2015 (excluding interconnection), up 12% yoy, reflecting continued double-digit postpaid subscriber growth, partially offset by a decrease in usage-related revenue per user.

# Video

## Broadly stable net subscriber loss in Q4 2015, reflecting our continued focus on providing a great customer experience



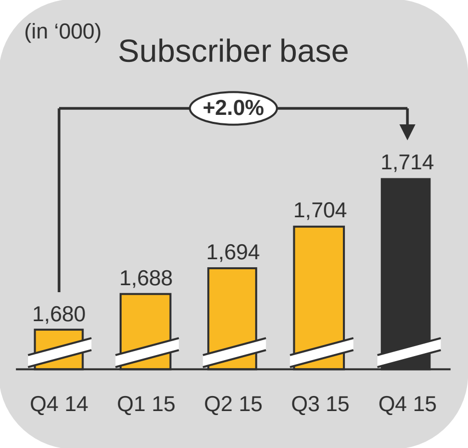

- **2,054,800 video subscribers** at December 31, 2015, representing approximately 70% of the homes passed by our network;
- **Broadly stable net loss trend** compared to Q3 2015, but an improvement versus the first half of 2015 when our churn was impacted by the January 2015 price adjustments.

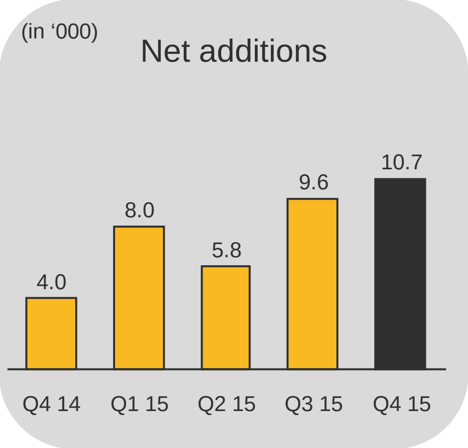


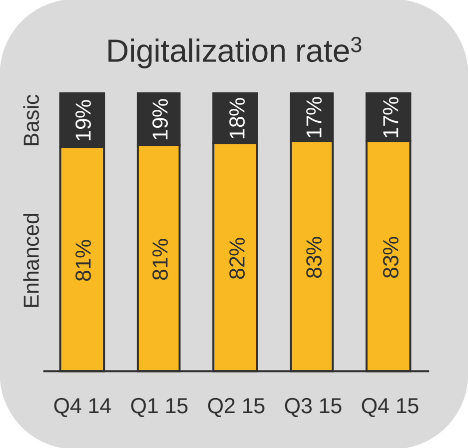
See Notes page for additional disclosure

# Enhanced video

## Around 83% of video customers have upgraded to our enhanced video platform 10 years post the launch of digital TV in Flanders and Brussels



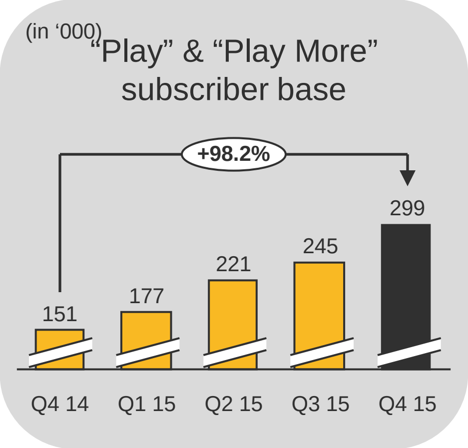

- **10,700 net enhanced video subscribers added** in Q4 2015, an important improvement yoy and driven by our attractive promotion campaigns;
- **1,714,200 enhanced video subscribers** at December 31, 2015, up 2% yoy, and representing around 83% of our video subscriber base;
- Active user base of **"Yelo Play",** our OTT platform, reached **approximately 26% of our enhanced video subscriber base** at December 31, 2015.

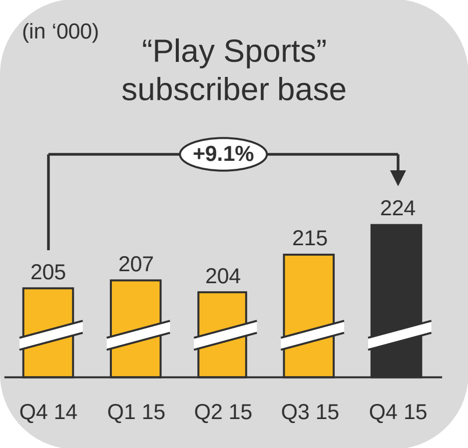


See Notes page for additional disclosure

# Unique positioning in premium entertainment

## Subscription VOD packs showing continued meaningful uptake across our enhanced video subscriber base




- Our **subscription VOD packages "Play" and "Play More" had 298,600 customers** at December 31, 2015, up 22% compared to Q3 2015 and driven in part by temporary promotions and seasonality;
- At December 31, 2015, **223,500 customers subscribed to our sports pay television channels**, up 4% compared to Q3 2015 and up 9% yoy, marking one of the strongest uptakes in recent quarters;
- In December 2015, Telenet reached an **agreement with ELEVEN SPORTS NETWORK**, adding two extra channels ("Eleven" and "Eleven Sports"). Additionally we **won the tender for the Barclays Premier League exclusive broadcasting rights** for another three seasons.

# Financial Highlights

# Delivered on our upgraded FY 2015 outlook

## Top line and Adjusted EBITDA growth of +6% and +5% respectively, and Free Cash Flow of €279.0 million despite significantly higher cash taxes paid

**Revenue[4]**
**+5.9%**
**(€1,808.4M)**

**Adjusted EBITDA[5]**
**+4.9%**
**(€943.7M)**

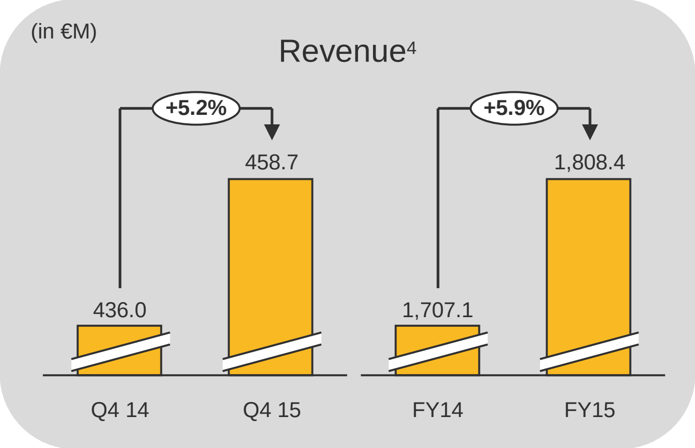
**Accrued capex/revenue[4, 6]**
**19.6%**
**(€355.0M)**

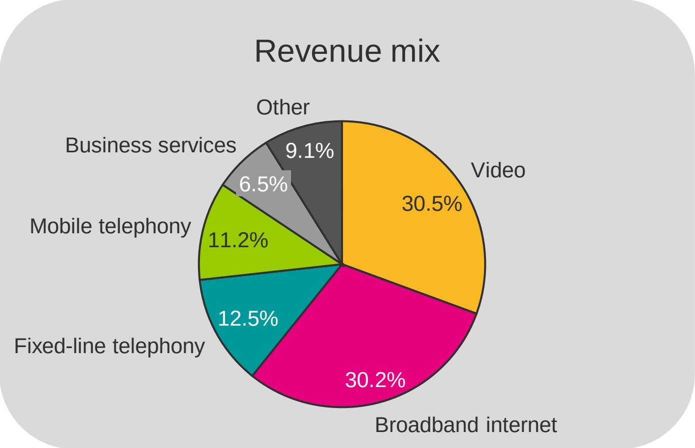
**Free Cash Flow**
**€279.0M**
**(+17.5% yoy)**

See Notes page for additional disclosure

# Revenue of €1,808.4 million, up 6% yoy

## Solid revenue growth driven by higher cable subscription revenue and double-digit growth in mobile telephony and B2B



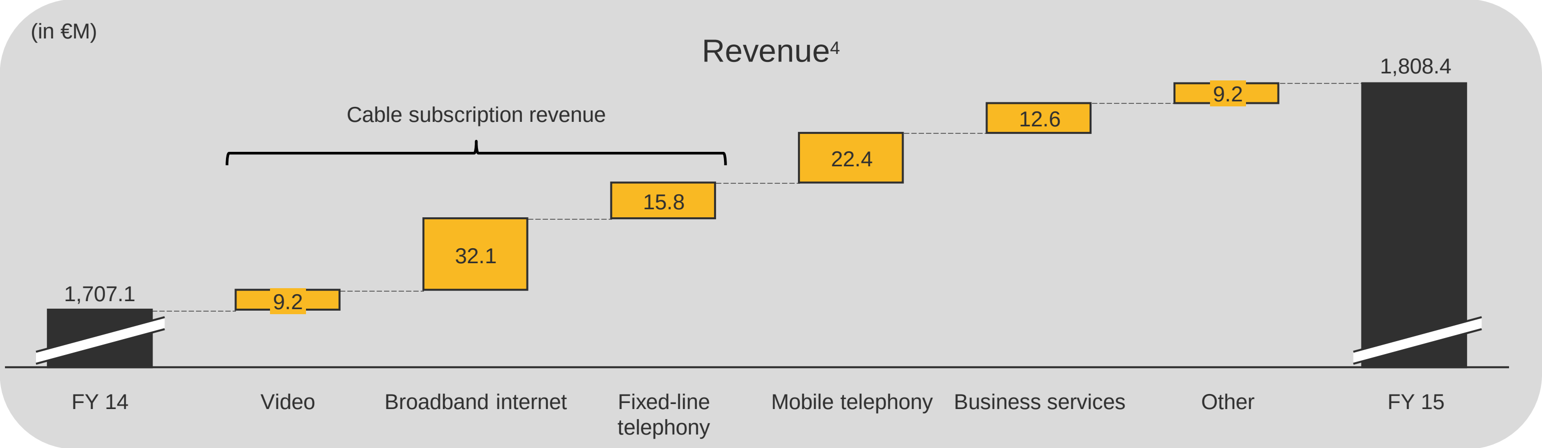

- **Revenue of €1,808.4 million in FY 2015, up 6% yoy,** driven by (i) solid multiple-play growth, (ii) the benefit from the selective price increases in January 2015, (iii) a €22.4 million higher contribution from our mobile activities and (iv) a 12% increase in our business services revenue;
- **Revenue of €458.7 million in Q4 2015, up 5% yoy**, reflecting largely the same growth drivers as discussed above.



See Notes page for additional disclosure

# Revenue of €1,808.4 million, up 6% yoy

## Solid revenue growth driven by higher cable subscription revenue and double-digit growth in mobile telephony and B2B



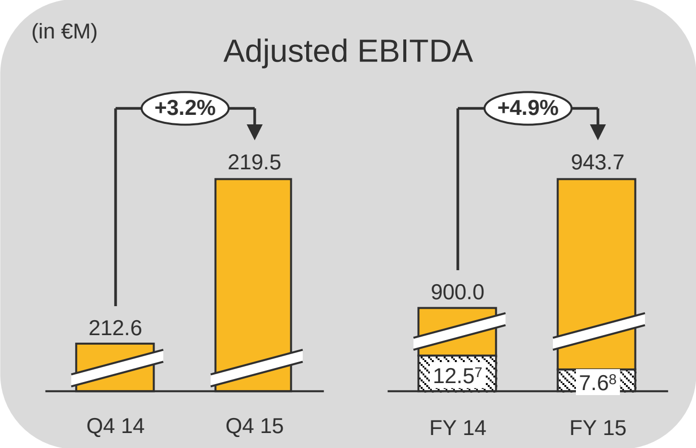

- **Cable subscription revenue up 5% yoy** driven by continued growth in our fixed RGU base and the benefit from the January 2015 price adjustments, partly offset by increased bundle discounts;
- **Mobile telephony revenue up €22.4 million, or 12% yoy**, reflecting continued double-digit growth in the number of postpaid subscribers, partially offset by a decrease in usage-related revenue per user;
- **B2B revenue up 12% yoy**, driven by (i) higher security-related revenue, (ii) higher revenue from business connectivity solutions, and (iii) higher revenue from carrier services for mobile;
- **Other revenue up €9.2 million**, reflecting the impact of our handset financing program as of Q3 2015.

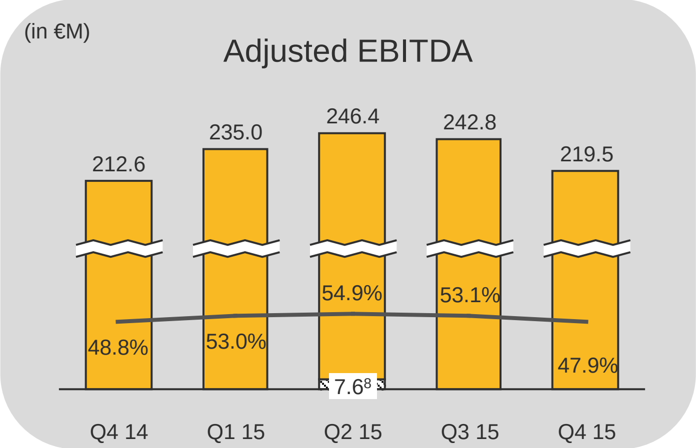


See Notes page for additional disclosure

# Adjusted EBITDA of €943.7 million, up 5% yoy

## Excluding one-off benefits of €7.6 million and €12.5 million for 2015 and 2014, respectively, our Adjusted EBITDA growth would have been slightly higher



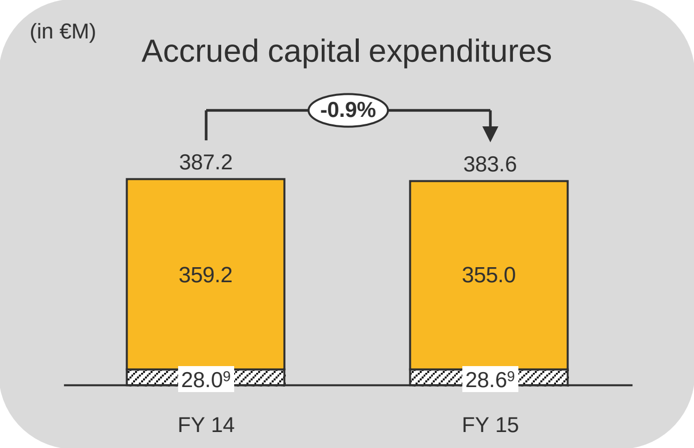



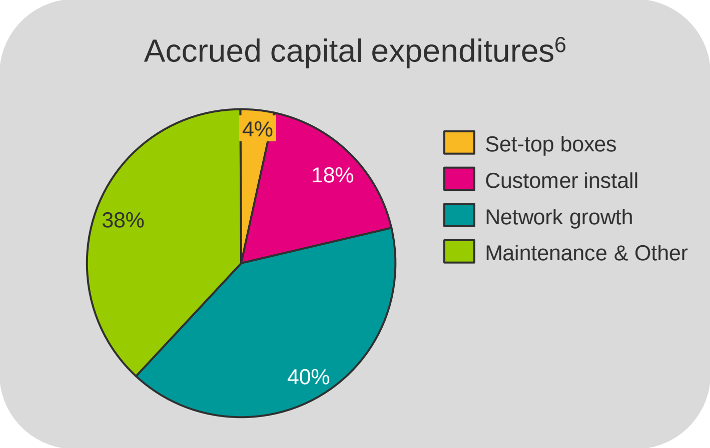

- **Adjusted EBITDA up 5% yoy to €943.7 million** with 2015 and 2014 including favorable impacts of €7.6 million and €12.5 million, respectively, related to the resolution of certain operational contingencies;
- **Excluding these impacts, Adjusted EBITDA growth** was driven by accretive multiple-play growth and continued focus on cost efficiencies and operating leverage, partly offset by (i) higher content-related costs, (ii) higher interconnection costs and (iii) higher costs related to the integration of BASE Company;
- **Q4 2015 Adjusted EBITDA of €219.5 million,** +3% yoy, impacted by seasonally higher advertising, sales and marketing expenses in the year-end quarter and higher costs related to the integration of BASE Company. Excluding these integration costs, growth in our Adjusted EBITDA would have been higher.

See Notes page for additional disclosure

# Accrued capital expenditures of €383.6 million

## Representing around 20% of revenue excluding the recognition of the Belgian football broadcasting rights for the 2015-2016 season



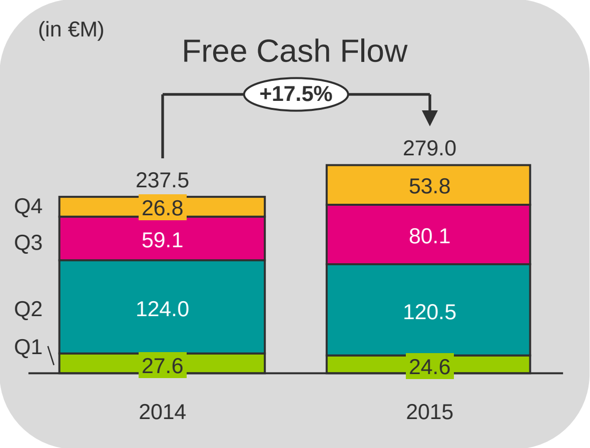

- **Accrued capital expenditures of €383.6 million** for FY 2015, slightly down yoy due to significantly lower set-top box expenditures, partly offset by higher network-related investments relating to both our proactive customer visits and our "Grote Netwerf" investment program;
- Accrued capital expenditures for both FY 2015 and FY 2014 reflected the **recognition of the Belgian football broadcasting rights** for the 2015-2016 and 2014-2015 seasons, respectively;
- **Excluding the Belgian football broadcasting rights**, accrued capital expenditures were **around 20% of revenue**.

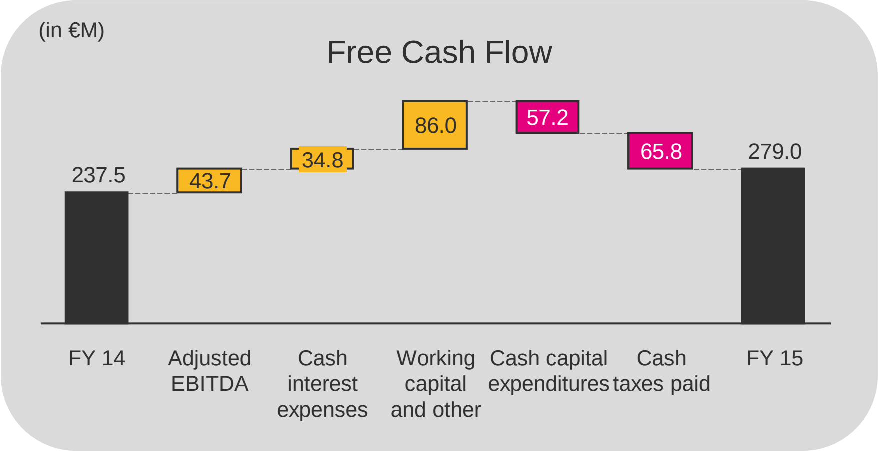


See Notes page for additional disclosure

# Free Cash Flow of €279.0 million, up 17% yoy

## Significantly higher cash taxes more than offset by solid Adjusted EBITDA growth, lower cash interest expenses and working capital improvements

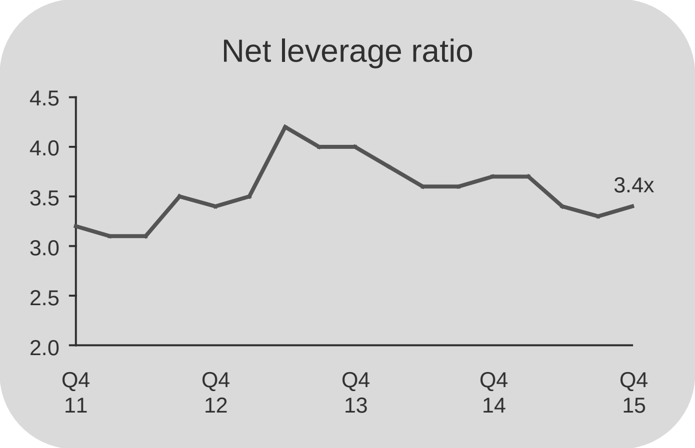


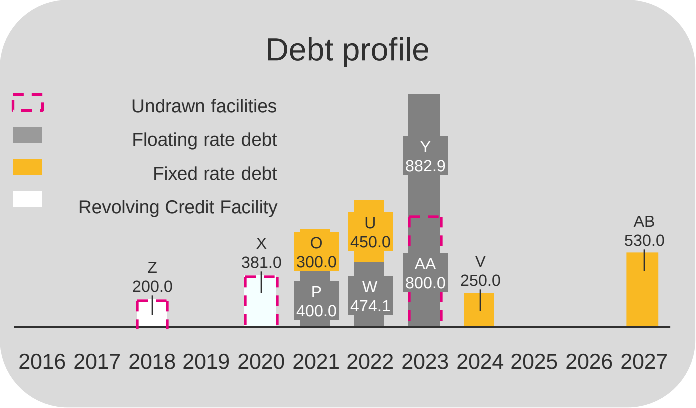




- In FY 2015, **we generated €279.0 million of Free Cash Flow** compared to €237.5 million in FY 2014, up 17% yoy, **despite €77.6 million cash taxes** paid in Q1 2015;
- **Free Cash Flow growth** for FY 2015 was predominantly driven by the combined effect of (i) solid Adjusted EBITDA growth, (ii) substantially lower cash interest expenses due to recent refinancings, (iii) an improved trend in our working capital as a result of a tighter working capital management;
- **Q4 2015 Free Cash Flow of €53.8 million**, more than doubling compared to Q4 2014.

# Net leverage ratio of 3.4x at December 31, 2015

## Sequential uptick as a result of a lower EBITDA contribution generally in the fourth quarter compared to prior quarters




- **Net leverage ratio of 3.4x** at December 31, 2015 as compared to 3.7x at December 31, 2014, driven by solid EBITDA growth and the absence of major shareholder disbursements apart from the €50.0 million Share Repurchase Program 2015;
- **Slight increase qoq** as a result of seasonally weaker EBITDA growth in Q4;
- Net leverage ratio at the end of December 2015 **excluded** the additional debt facilities related to the **acquisition of BASE Company.**

# BASE Company acquisition

## A powerful and complementary combination

1. Control own destiny in large and growing mobile business
2. Achieve owner economics in mobile
3. Highly complementary combination
4. Creates value through significant synergy potential
5. Builds on Telenet and Liberty Global’s strong track record of value creation
6. Optimises balance sheet through efficient financing structure

# BASE Company acquisition

## Pending legal closing mid-February 2016 following European Commission approval last week

- **Transaction to close mid-February 2016**
- Financed through **mixture of undrawn facilities** (€1,217.0 million) and **cash & cash equivalents**
- In light of pending closing, the board of directors decided **not to provide a detailed outlook at this stage**
- **Reconfirming €240.0 million of investments**, including targeted investments in BASE Company's mobile network and integration costs
- Anticipating **annual run-rate synergies of at least €150.0 million**[1], predominantly driven by the migration of our mobile telephony subscribers to the BASE Company network

# Share Repurchase Program 2016

## €50.0 million share buy-back program authorized, effective February 15, 2016

Committed to deliver **attractive and sustainable shareholder value** in line with our Net Total Debt to Consolidated Annualized EBITDA ratio

Optimal balance between **growth and shareholder returns** and **attractive access to capital markets**

**€50.0 million Share Repurchase Program 2016**

- Effective as of February 15, 2016 for a maximum period of 6 months
- Intend to repurchase a maximum of 1.1 million shares with a maximum consideration of €50.0 million
- Repurchased shares will be used to cover the Company's obligations under existing stock option plans


Q & A

# Thank you

**Rob Goyens**
VP Treasury & IR
+32 (0)15 33 30 54
rob.goyens@staff.telenet.be

**Thomas Deschepper**
Investor Relations
+32 (0)15 36 66 45
thomas.deschepper@
staff.telenet.be

# Important reporting changes

**Revenue by nature:** In Q1 2015, we changed the way we present the disclosure of our revenue in order to further align with our controlling shareholder and to provide a greater level of transparency on the underlying evolution of (i) our traditional cable subscription revenue, (ii) the revenue generated by our mobile telephony customers, (iii) our B2B revenue and (iv) our other revenue, which includes amongst others the revenue generated from the sale of set-top boxes and handsets, interconnection revenue and carriage fees. We have also applied these changes retroactively to the prior year quarters.

**RGU adjustment:** In Q1 2015, we changed the way we calculate certain operational key performance indicators to further align with our controlling shareholder. From January 1, 2015, RGUs 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 (for instance a primary and a secondary home) that individual will count as two RGUs for that service. This definition adjustment also impacted certain other derived operational parameters, including amongst others multiple-play penetration levels, the number of services per unique customer and the underlying ARPU generated by such unique customers. During the first quarter of 2015, we also modified certain video subscriber definitions to better align these definitions with the underlying services received by our customers and have replaced our “digital cable TV” and “analog cable TV” subscriber definitions with “enhanced video” and “basic video” respectively. We have also applied these changes retroactively to the prior year quarters.

**Free Cash Flow:** In Q1 2015, we changed our Free Cash Flow definition, adding cash payments for third-party costs directly associated with successful and unsuccessful acquisitions and dispositions to the net cash provided by our continuing operations. We have also applied these changes retroactively to the prior year quarters. Additionally, 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, 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.

# Definitions

a) **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.

b) **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.

c) **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.

d) **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.

e) **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.

# Definitions

f) **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.

g) **Internet Subscriber** is a home, residential multiple dwelling unit or commercial unit that receives internet services over the Combined Network.

h) **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.

i) 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.

j) **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.

k) **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.

l) **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.

# Definitions

m) **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.

n) **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.

o) **Net leverage ratio** is calculated as per the 2010 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.

# Notes

1) Based on Telenet management's assumptions including estimated annual run-rate savings on FY 2017 MVNO-related expenses, other estimated annual run-rate opex savings to be achieved by FY 2019 before integration costs and approximately €5 million of estimated annual run-rate capex synergies.
2) Our net organic loss rate excludes migrations to our enhanced video service and represents customers churning to competitors' platforms, such as other digital television, OTT and satellite providers, or customers terminating their television service or having moved out of our service footprint.
3) Digitalization rate equals the number of enhanced video subscribers at the end of a given period over the total number of video subscribers at the end of a given period.
4) 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 instalments. 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.
5) Adjusted EBITDA for 2015 and 2014 included nonrecurring benefits of €7.6 million and €12.5 million, respectively, related to the settlement of certain operational contingencies.
6) Excluding the impact from the recognition of the Belgian football broadcasting rights.
7) Adjusted EBITDA in Q1 2014 included a €12.5 million nonrecurring benefit related to the settlement of certain operational contingencies.
8) Adjusted EBITDA in Q2 2015 included a €7.6 million favorable impact from the resolution of a contingency associated with universal service obligations.
9) Accrued capital expenditures for both 9M 2015 and 9M 2015 included the recognition of the Belgian football broadcasting rights ("Jupiler Pro League") for the 2014-2015 and 2015-2016 seasons. Under EU IFRS, these non-exclusive broadcasting rights have been capitalized as intangible assets and will be amortized on a pro-rata basis as the season progresses.