



The UPC Holding Group

**Condensed Combined Financial Statements
September 30, 2021**

The UPC Holding Group
TABLE OF CONTENTS

	<u>Page Number</u>
Condensed Combined Balance Sheets as of September 30, 2021 and December 31, 2020 (unaudited)	1
Condensed Combined Statements of Operations for the Three and Nine Months Ended September 30, 2021 and 2020 (unaudited)	3
Condensed Combined Statements of Comprehensive Earnings (Loss) for the Three and Nine Months Ended September 30, 2021 and 2020 (unaudited)	4
Condensed Combined Statements of Equity for the Three and Nine Months Ended September 30, 2021 and 2020 (unaudited)	5
Condensed Combined Statements of Cash Flows for the Nine Months Ended September 30, 2021 and 2020 (unaudited)	7
Notes to Condensed Combined Financial Statements (unaudited)	9
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	36

The UPC Holding Group
CONDENSED COMBINED BALANCE SHEETS
(unaudited)

	September 30, 2021	December 31, 2020
in millions		
ASSETS		
Current assets:		
Cash and cash equivalents	€ 35.3	€ 25.7
Trade receivables, net (note 11)	430.4	551.2
Related-party receivables (note 11)	15.8	17.3
Derivative instruments (note 5)	65.4	74.7
Current assets of discontinued operations (note 4)	785.7	802.7
Other current assets (note 3)	169.5	134.6
Total current assets	1,502.1	1,606.2
Property and equipment, net (notes 7 and 9)	2,470.4	2,439.3
Goodwill (note 7)	5,613.4	5,631.8
Intangible assets subject to amortization, net (note 7)	1,821.4	2,070.2
Derivative instruments (note 5)	225.1	283.7
Operating lease right-of-use (ROU) assets (note 9)	940.4	989.2
Other assets, net (notes 3, 7, 9 and 11)	264.4	282.9
Total assets	€ 12,837.2	€ 13,303.3

The accompanying notes are an integral part of these condensed combined financial statements.

The UPC Holding Group
CONDENSED COMBINED BALANCE SHEETS — (Continued)
(unaudited)

	September 30, 2021	December 31, 2020
	in millions	
LIABILITIES AND COMBINED EQUITY		
Current liabilities:		
Accounts payable (note 11)	€ 224.6	€ 174.7
Deferred revenue (note 3)	111.6	195.3
Derivative instruments (note 5)	82.6	76.4
Current portion of debt and finance lease obligations (notes 8 and 9)	360.4	279.3
Current operating lease liabilities (note 9)	109.2	102.3
Current liabilities of discontinued operations (note 4)	194.4	189.1
Other accrued and current liabilities:		
Third-party	398.8	462.4
Related-party (note 11)	8.9	69.8
Total current liabilities	1,490.5	1,549.3
Long-term debt and finance lease obligations (notes 8 and 9):		
Third-party	6,244.6	6,002.0
Related-party (note 11)	1.7	67.6
Derivative instruments (note 5)	226.8	605.3
Long-term operating lease liabilities (note 9)	827.0	868.7
Other long-term liabilities (notes 3 and 11)	476.3	535.7
Total liabilities	9,266.9	9,628.6
Commitments and contingencies (notes 5, 8, 10 and 12)		
Combined equity:		
Parent entities:		
Contributions and accumulated earnings in excess of distributions	2,747.5	2,842.5
Accumulated other comprehensive earnings, net of taxes	807.1	815.0
Total combined equity attributable to parent entities	3,554.6	3,657.5
Noncontrolling interests	15.7	17.2
Total combined equity	3,570.3	3,674.7
Total liabilities and combined equity	€ 12,837.2	€ 13,303.3

The accompanying notes are an integral part of these condensed combined financial statements.

The UPC Holding Group
CONDENSED COMBINED STATEMENTS OF OPERATIONS
(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
in millions				
Revenue (notes 3, 11 and 13)	€ 715.2	€ 280.1	€ 2,120.2	€ 861.9
Operating costs and expenses (exclusive of depreciation and amortization, shown separately below):				
Programming and other direct costs of services (note 11)	218.1	56.5	675.6	188.0
Other operating (note 11)	88.7	41.5	269.5	130.2
Selling, general and administrative (SG&A) (note 11)	129.2	52.5	416.0	154.5
Related-party fees and allocations, net (note 11)	39.5	57.3	119.5	144.9
Depreciation and amortization	223.7	65.9	633.5	199.2
Impairment, restructuring and other operating items, net	(4.0)	(0.1)	31.8	11.1
	<u>695.2</u>	<u>273.6</u>	<u>2,145.9</u>	<u>827.9</u>
Operating income (loss)	<u>20.0</u>	<u>6.5</u>	<u>(25.7)</u>	<u>34.0</u>
Non-operating income (expense):				
Interest expense (note 11)	(62.3)	(34.6)	(191.3)	(112.6)
Realized and unrealized gains (losses) on derivative instruments, net (note 5)	69.8	(145.5)	333.7	(106.5)
Foreign currency transaction gains (losses), net	7.5	43.2	(188.4)	36.3
Losses on debt extinguishment, net (note 8)	—	—	(75.1)	(33.4)
Other income, net (note 11)	8.2	7.5	16.3	16.2
	<u>23.2</u>	<u>(129.4)</u>	<u>(104.8)</u>	<u>(200.0)</u>
Earnings (loss) from continuing operations before income taxes	43.2	(122.9)	(130.5)	(166.0)
Income tax benefit (expense) (note 10)	25.1	8.9	43.9	(0.5)
Earnings (loss) from continuing operations	68.3	(114.0)	(86.6)	(166.5)
Earnings (loss) from discontinued operations, net of taxes (note 4)	(9.3)	(2.0)	1.5	(7.7)
Net earnings (loss)	59.0	(116.0)	(85.1)	(174.2)
Net earnings attributable to noncontrolling interests	(0.7)	(0.7)	(2.2)	(2.3)
Net earnings (loss) attributable to parent entities	<u>€ 58.3</u>	<u>€ (116.7)</u>	<u>€ (87.3)</u>	<u>€ (176.5)</u>

The accompanying notes are an integral part of these condensed combined financial statements.

The UPC Holding Group
CONDENSED COMBINED STATEMENTS OF COMPREHENSIVE EARNINGS (LOSS)
(unaudited)

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
	in millions			
Net earnings (loss)	€ 59.0	€ (116.0)	€ (85.1)	€ (174.2)
Other comprehensive earnings (loss), net of taxes:				
Continuing operations:				
Foreign currency translation adjustments	38.8	(46.2)	(0.7)	15.6
Pension-related adjustments and other	(0.3)	(0.4)	(0.9)	(1.3)
Other comprehensive earnings (loss) from continuing operations	38.5	(46.6)	(1.6)	14.3
Other comprehensive loss from discontinued operations (note 4)	(13.5)	(12.8)	(6.3)	(45.1)
Other comprehensive earnings (loss)	25.0	(59.4)	(7.9)	(30.8)
Comprehensive earnings (loss)	84.0	(175.4)	(93.0)	(205.0)
Comprehensive earnings attributable to noncontrolling interests	(0.7)	(0.7)	(2.2)	(2.3)
Comprehensive earnings (loss) attributable to parent entities	€ 83.3	€ (176.1)	€ (95.2)	€ (207.3)

The accompanying notes are an integral part of these condensed combined financial statements.

The UPC Holding Group
CONDENSED COMBINED STATEMENTS OF EQUITY
(unaudited)

	Parent entities				
	Contributions and accumulated earnings in excess of distributions	Accumulated other comprehensive earnings, net of taxes	Total combined equity attributable to parent entities	Non- controlling interests	Total combined equity
	in millions				
Balance at January 1, 2020	€ 157.3	€ 872.9	€ 1,030.2	€ 18.3	€ 1,048.5
Net loss	(28.9)	—	(28.9)	0.8	(28.1)
Other comprehensive earnings, net of taxes	—	27.4	27.4	—	27.4
Deemed contribution of technology-related services (note 11)	13.1	—	13.1	—	13.1
Share-based compensation (note 11)	2.7	—	2.7	—	2.7
Capital charge in connection with the exercise or vesting of share-based incentive awards (note 11)	(0.5)	—	(0.5)	—	(0.5)
Other, net	4.2	—	4.2	0.5	4.7
Balance at March 31, 2020	147.9	900.3	1,048.2	19.6	1,067.8
Net loss	(30.9)	—	(30.9)	0.8	(30.1)
Other comprehensive earnings, net of taxes	—	1.2	1.2	—	1.2
Deemed contribution of technology-related services (note 11)	9.7	—	9.7	—	9.7
Share-based compensation (note 11)	4.1	—	4.1	—	4.1
Capital charge in connection with the exercise or vesting of share-based incentive awards (note 11)	(2.2)	—	(2.2)	—	(2.2)
Other, net	0.5	—	0.5	(4.5)	(4.0)
Balance at June 30, 2020	129.1	901.5	1,030.6	15.9	1,046.5
Net loss	(116.7)	—	(116.7)	0.7	(116.0)
Other comprehensive loss, net of taxes	—	(59.4)	(59.4)	—	(59.4)
Technology-related transfer pricing transition fee (note 11)	(204.6)	—	(204.6)	—	(204.6)
Deemed contribution of technology-related services (note 11)	23.3	—	23.3	—	23.3
Share-based compensation (note 11)	6.1	—	6.1	—	6.1
Capital charge for technology-related services (note 11)	(2.5)	—	(2.5)	—	(2.5)
Capital charge in connection with the exercise or vesting of share-based incentive awards (note 11)	(0.2)	—	(0.2)	—	(0.2)
Other, net	(6.9)	—	(6.9)	(0.1)	(7.0)
Balance at September 30, 2020	€ (172.4)	€ 842.1	€ 669.7	€ 16.5	€ 686.2

The accompanying notes are an integral part of these condensed combined financial statements.

The UPC Holding Group
CONDENSED COMBINED STATEMENTS OF EQUITY— (Continued)
(unaudited)

	Parent entities			Non- controlling interests	Total combined equity
	Contributions and accumulated earnings in excess of distributions	Accumulated other comprehensive earnings, net of taxes	Total combined equity attributable to parent entities		
	in millions				
Balance at January 1, 2021	€ 2,842.5	€ 815.0	€ 3,657.5	€ 17.2	€ 3,674.7
Net loss	(27.9)	—	(27.9)	0.8	(27.1)
Other comprehensive loss, net of taxes	—	(75.3)	(75.3)	—	(75.3)
Capital charge in connection with the exercise or vesting of share-based incentive awards (note 11)	(5.9)	—	(5.9)	—	(5.9)
Share-based compensation (note 11)	3.1	—	3.1	—	3.1
Capital charge for technology-related services (note 11) ..	(2.0)	—	(2.0)	—	(2.0)
Other, net	8.4	—	8.4	(0.4)	8.0
Balance at March 31, 2021	2,818.2	739.7	3,557.9	17.6	3,575.5
Net loss	(117.7)	—	(117.7)	0.7	(117.0)
Other comprehensive earnings, net of taxes	—	42.4	42.4	—	42.4
Capital charge in connection with the exercise or vesting of share-based incentive awards (note 11)	(8.0)	—	(8.0)	—	(8.0)
Share-based compensation (note 11)	4.4	—	4.4	—	4.4
Capital charge for technology-related services (note 11) ..	(2.5)	—	(2.5)	—	(2.5)
Other, net	1.1	—	1.1	(3.5)	(2.4)
Balance at June 30, 2021	2,695.5	782.1	3,477.6	14.8	3,492.4
Net earnings	58.3	—	58.3	0.7	59.0
Other comprehensive earnings, net of taxes	—	25.0	25.0	—	25.0
Share-based compensation (note 11)	4.2	—	4.2	—	4.2
Capital charge for technology-related services (note 11) ...	(2.2)	—	(2.2)	—	(2.2)
Capital charge in connection with the exercise or vesting of share-based incentive awards (note 11)	(2.1)	—	(2.1)	—	(2.1)
Other, net	(6.2)	—	(6.2)	0.2	(6.0)
Balance at September 30, 2021	<u>€ 2,747.5</u>	<u>€ 807.1</u>	<u>€ 3,554.6</u>	<u>€ 15.7</u>	<u>€ 3,570.3</u>

The accompanying notes are an integral part of these condensed combined financial statements.

The UPC Holding Group
CONDENSED COMBINED STATEMENTS OF CASH FLOWS
(unaudited)

**Nine months ended
September 30,**

2021 2020

in millions

Cash flows from operating activities:		
Net loss	€ (85.1)	€ (174.2)
Earnings (loss) from discontinued operations	1.5	(7.7)
Loss from continuing operations	(86.6)	(166.5)
Adjustments to reconcile loss from continuing operations to net cash provided by operating activities of continuing operations:		
Share-based compensation expense	15.7	15.3
Related-party fees and allocations, net	119.5	144.9
Depreciation and amortization	633.5	199.2
Impairment, restructuring and other operating items, net	31.8	11.1
Realized and unrealized losses (gains) on derivative instruments, net	(333.7)	106.5
Foreign currency transaction losses (gains), net	188.4	(36.3)
Losses on debt extinguishment, net	75.1	33.4
Deferred income tax benefit	(42.7)	(0.5)
Changes in operating assets and liabilities, net of the effects of acquisitions and dispositions	(34.8)	(19.1)
Net cash provided by operating activities of continuing operations	566.2	288.0
Net cash provided by operating activities of discontinued operations	70.6	44.6
Net cash provided by operating activities	636.8	332.6
Cash flows from investing activities:		
Capital expenditures, net	(206.2)	(104.7)
Cash paid for acquisitions, net of cash acquired	(59.0)	(3.7)
Advances to related parties, net	—	(43.3)
Other investing activities, net	6.3	(23.3)
Net cash used by investing activities of continuing operations	(258.9)	(175.0)
Net cash used by investing activities of discontinued operations	(33.6)	(40.6)
Net cash used by investing activities	€ (292.5)	€ (215.6)

The accompanying notes are an integral part of these condensed combined financial statements.

The UPC Holding Group
CONDENSED COMBINED STATEMENTS OF CASH FLOWS — (Continued)
(unaudited)

	Nine months ended September 30,	
	2021	2020
in millions		
Cash flows from financing activities:		
Repayments and repurchases of third-party debt and finance lease obligations	€ (1,331.7)	€ (1,165.5)
Borrowings of third-party debt	1,218.6	1,128.9
Repayments of related-party debt, net	(212.0)	—
Net cash received (paid) related to derivative instruments	31.3	(30.6)
Other financing activities, net	(18.5)	(38.7)
Net cash used by financing activities of continuing operations	(312.3)	(105.9)
Net cash used by financing activities of discontinued operations	(22.9)	(13.4)
Net cash used by financing activities	(335.2)	(119.3)
Effect of exchange rate changes on cash and cash equivalents and restricted cash:		
Continuing operations	0.9	(0.5)
Discontinued operations	—	—
Total	0.9	(0.5)
Net increase (decrease) in cash and cash equivalents and restricted cash:		
Continuing operations	(4.1)	6.6
Discontinued operations	14.1	(9.4)
Total	10.0	(2.8)
Cash and cash equivalents and restricted cash:		
Beginning of period	26.6	23.0
End of period	€ 36.6	€ 20.2
Cash paid for interest – third-party:		
Continuing operations	€ 197.0	€ 148.6
Discontinued operations	1.1	1.1
Total	€ 198.1	€ 149.7
Net cash paid for taxes:		
Continuing operations	€ 16.2	€ 5.9
Discontinued operations	19.8	13.0
Total	€ 36.0	€ 18.9
Details of end of period cash and cash equivalents and restricted cash:		
Cash and cash equivalents	€ 35.3	€ 19.0
Restricted cash included in other current assets and other assets, net	0.7	1.2
Restricted cash included in current assets of discontinued operations	0.6	—
Total cash and cash equivalents and restricted cash	€ 36.6	€ 20.2

The accompanying notes are an integral part of these condensed combined financial statements.

The UPC Holding Group
Notes to Condensed Combined Financial Statements
September 30, 2021
(unaudited)

(1) Basis of Presentation

UPC Holding B.V. (**UPC Holding**), UPC Slovakia Holding I B.V. (**UPC Slovakia**), UPC Poland Holding B.V. (**UPC Poland**) and Liberty Global Finance II (UK) Limited (**LG Finance II**) are wholly-owned subsidiaries of Liberty Global plc (**Liberty Global**). The accompanying condensed combined financial statements include the historical financial information of UPC Holding and its subsidiaries, UPC Slovakia and its subsidiaries (**Slovakia**), UPC Poland and its subsidiaries (**Poland**) and LG Finance II (collectively, the **UPC Holding Group**). Slovakia, Poland and LG Finance II, which are owned by subsidiaries of Liberty Global outside of the UPC Holding Group, are restricted subsidiaries for the purpose of the facilities agreement and bond indentures governing the debt of the UPC Holding Group. Accordingly, the accompanying financial statements are prepared on a combined basis. In these notes, the terms “we,” “our,” “our company” and “us” may refer, as the context requires, to the UPC Holding Group.

Our continuing operations comprise businesses that provide residential and business-to-business (**B2B**) communications services in Switzerland and Slovakia.

In addition, we currently provide residential and B2B communications services in Poland. On September 22, 2021, Liberty Global and UPC Poland entered into an agreement to sell our operations in Poland. Accordingly, in these condensed combined financial statements, our operations in Poland are reflected as discontinued operations for all periods presented. For additional information, see note 4.

Our unaudited condensed combined financial statements have been prepared in accordance with accounting principles generally accepted in the United States (**GAAP**) and do not include all of the information required by GAAP for complete financial statements. In the opinion of management, these financial statements reflect all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the results of operations for the interim periods presented. The results of operations for any interim period are not necessarily indicative of results for the full year. These unaudited condensed combined financial statements should be read in conjunction with the combined financial statements and notes thereto included in our 2020 annual report.

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates and assumptions are used in accounting for, among other things, the valuation of acquisition-related assets and liabilities, allowances for uncollectible accounts, certain components of revenue, programming and copyright costs, deferred income taxes and related valuation allowances, loss contingencies, fair value measurements, impairment assessments, capitalization of internal costs associated with construction and installation activities, lease terms, useful lives of long-lived assets, share-based compensation and actuarial liabilities associated with certain benefit plans. Actual results could differ from those estimates.

Unless otherwise indicated, the amounts presented in these notes relate only to our continuing operations, and convenience translations into euros are calculated as of September 30, 2021.

These unaudited condensed combined financial statements reflect our consideration of the accounting and disclosure implications of subsequent events through November 19, 2021, the date of issuance.

The UPC Holding Group
Notes to Condensed Combined Financial Statements — (Continued)
September 30, 2021
(unaudited)

(2) Accounting Changes

ASU 2019-12

In December 2019, the Financial Accounting Standards Board (FASB) issued Accounting Standards Update (ASU) No. 2019-12, *Simplifying the Accounting for Income Taxes (ASU 2019-12)*, which is intended to improve consistency and simplify several areas of existing guidance. ASU 2019-12 removes certain exceptions to the general principles related to the approach for intraperiod tax allocation, the methodology for calculating income taxes in an interim period and the recognition of deferred tax liabilities for outside basis differences. The new guidance also clarifies the accounting for transactions that result in a step-up in the tax basis of goodwill. We adopted ASU 2019-12 on January 1, 2021, and such adoption did not have a significant impact on our combined financial statements.

(3) Revenue Recognition and Related Costs

Contract Balances

The timing of our recognition of revenue may differ from the timing of invoicing our customers. We record a trade receivable when we have transferred goods or services to a customer but have not yet received payment. Our trade receivables are reported net of an allowance for doubtful accounts. Such allowance aggregated €35.8 million and €23.6 million at September 30, 2021 and December 31, 2020, respectively.

If we transfer goods or services to a customer but do not have an unconditional right to payment, we record a contract asset. Contract assets typically arise from the uniform recognition of introductory promotional discounts over the contract period and accrued revenue for handset sales. Our contract assets were €21.0 million and €29.6 million as of September 30, 2021 and December 31, 2020, respectively. The current and long-term portions of our contract asset balances are included within other current assets and other assets, net, respectively, on our condensed combined balance sheets.

We record deferred revenue when we receive payment prior to transferring goods or services to a customer. We primarily defer revenue for (i) installation and other upfront services and (ii) other services that are invoiced prior to when services are provided. Our deferred revenue balances were €117.2 million and €200.3 million as of September 30, 2021 and December 31, 2020, respectively. The decrease in deferred revenue for the nine months ended September 30, 2021 is primarily due to the recognition of €142.3 million of revenue that was included in our deferred revenue balance at December 31, 2020, partially offset by the impact of additions during the period. The long-term portions of our deferred revenue balances are included within other long-term liabilities on our condensed combined balance sheets.

Contract Costs

Our aggregate assets associated with incremental costs to obtain our contracts were €44.9 million and €26.1 million at September 30, 2021 and December 31, 2020, respectively. The current and long-term portions of our assets related to contract costs are included within other current assets and other assets, net, respectively, on our condensed combined balance sheets. We amortized €4.1 million and €11.5 million during the three and nine months ended September 30, 2021, respectively, and €2.9 million and €12.1 million during the three and nine months ended September 30, 2020, respectively, to operating costs and expenses related to these assets.

Unsatisfied Performance Obligations

A large portion of our revenue is derived from customers who are not subject to contracts. Revenue from customers who are subject to contracts is generally recognized over the term of such contracts, which is typically 12 months for our residential service contracts, one to three years for our mobile service contracts and one to five years for our B2B service contracts.

The UPC Holding Group
Notes to Condensed Combined Financial Statements — (Continued)
September 30, 2021
(unaudited)

(4) Acquisitions and Dispositions

Pending Disposition

On September 22, 2021, Liberty Global and UPC Poland entered into a sale and purchase agreement (the **Purchase Agreement**), pursuant to which we agreed to sell 100% of our operations in Poland to a third party for a total enterprise value of Polish zloty (**PLN**) 7,025.0 million (€1,524.1 million), subject to customary debt and working capital adjustments at completion. Closing of the transaction, currently expected to occur in the first half of 2022, is subject to the satisfaction of certain conditions, including receipt of requisite regulatory approvals.

The proceeds from the sale are expected to be used (i) to repay a portion of our outstanding indebtedness and (ii) for general corporate purposes.

Effective with the signing of the Purchase Agreement, we began presenting UPC Poland as a discontinued operation and, accordingly, we no longer depreciate or amortize the associated long-lived assets. In our condensed combined balance sheets, statements of operations and cash flows, UPC Poland is reflected as a discontinued operation for all periods presented. No debt, interest or derivative instruments have been allocated to discontinued operations. Prior to being presented as discontinued operations, UPC Poland was included in our former Central and Eastern Europe reportable segment.

The carrying amounts of the major classes of assets and liabilities of UPC Poland as of September 30, 2021 and December 31, 2020 are summarized in the following table. Due to the fact that we expect Liberty Global to complete the sale of UPC Poland within 12 months, all of the associated assets and liabilities are classified as current on our condensed combined balance sheets.

	<u>September 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>
	<u>in millions</u>	
Assets:		
Current assets	€ 21.8	€ 23.0
Property and equipment, net	331.8	349.6
Goodwill	406.1	409.8
Other assets, net	26.0	20.3
Total assets	<u>€ 785.7</u>	<u>€ 802.7</u>
Liabilities:		
Current portion of debt and finance lease obligations	€ 33.0	€ 36.3
Other accrued and current liabilities	108.8	116.7
Long-term debt and finance lease obligations	4.6	4.9
Other long-term liabilities	48.0	31.2
Total liabilities	<u>€ 194.4</u>	<u>€ 189.1</u>

The UPC Holding Group
Notes to Condensed Combined Financial Statements — (Continued)
September 30, 2021
(unaudited)

The operating results of UPC Poland for the three and nine months ended September 30, 2021 and 2020 are summarized in the following table. These amounts exclude intercompany revenue and expenses that are eliminated within our condensed combined statements of operations.

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
	in millions			
Revenue	€ 95.9	€ 95.4	€ 288.6	€ 286.4
Operating income	€ 14.9	€ 3.5	€ 34.8	€ 10.9
Earnings before income taxes and noncontrolling interests	€ 13.1	€ 1.6	€ 33.2	€ 3.9
Income tax expense	(22.4)	(3.6)	(31.7)	(11.6)
Net earnings (loss) attributable to parent entities	€ (9.3)	€ (2.0)	€ 1.5	€ (7.7)

2020 Acquisition

On November 11, 2020, we completed the acquisition of Sunrise Communications Group AG (**Sunrise**) (the **Sunrise Acquisition**). The Sunrise Acquisition was effected through an all cash public tender offer of the outstanding shares of Sunrise (the **Sunrise Shares**) for CHF 110 per share, for a total purchase price of CHF 5.0 billion (€4.6 billion at the transaction date). In April 2021, we completed a statutory “squeeze-out” procedure, under applicable Swiss law, to acquire the remaining Sunrise Shares that were not acquired pursuant to the tender offer and, accordingly, now hold 100.0% of the share capital of Sunrise.

Pro Forma Information

The following unaudited pro forma combined operating results give effect to the Sunrise Acquisition as if it had been completed as of January 1, 2019. These pro forma amounts are not necessarily indicative of the operating results that would have occurred if this transaction had occurred on such date. The pro forma adjustments are based on certain assumptions that we believe are reasonable.

	Three months ended September 30, 2020	Nine months ended September 30, 2020
	(unaudited)	
	in millions	
Revenue	€ 721.3	€ 2,163.1
Net loss attributable to parent entities	€ (159.8)	€ (318.4)

The UPC Holding Group
Notes to Condensed Combined Financial Statements — (Continued)
September 30, 2021
(unaudited)

(5) Derivative Instruments

In general, we enter into derivative instruments to protect against (i) increases in the interest rates on our variable-rate debt and (ii) foreign currency movements, particularly with respect to borrowings that are denominated in a currency other than the functional currency of the borrowing entity. In this regard, through our combined entities, we have entered into various derivative instruments to manage interest rate exposure and foreign currency exposure primarily with respect to the United States (U.S.) dollar (\$), the euro (€), the Swiss franc (CHF) and the PLN. We do not apply hedge accounting to our derivative instruments. Accordingly, changes in the fair values of our derivative instruments are recorded in realized and unrealized gains or losses on derivative instruments, net, in our condensed combined statements of operations.

The following table provides details of the fair values of our derivative instrument assets and liabilities:

	September 30, 2021			December 31, 2020		
	Current	Long-term	Total	Current	Long-term	Total
	in millions					
Assets:						
Cross-currency and interest rate derivative contracts (a)	€ 63.9	€ 225.1	€ 289.0	€ 73.8	€ 283.7	€ 357.5
Foreign currency forward and option contracts	1.5	—	1.5	0.9	—	0.9
Total	€ 65.4	€ 225.1	€ 290.5	€ 74.7	€ 283.7	€ 358.4
Liabilities:						
Cross-currency and interest rate derivative contracts (a)	€ 81.0	€ 226.8	€ 307.8	€ 75.4	€ 605.3	€ 680.7
Foreign currency forward and option contracts	1.6	—	1.6	1.0	—	1.0
Total	€ 82.6	€ 226.8	€ 309.4	€ 76.4	€ 605.3	€ 681.7

- (a) We consider credit risk relating to our and our counterparties' nonperformance in the fair value assessment of our derivative instruments. In all cases, the adjustments take into account offsetting liability or asset positions. The changes in the credit risk valuation adjustments associated with our cross-currency and interest rate derivative contracts resulted in net gains (losses) of (€11.8 million) and €54.7 million during the three months ended September 30, 2021 and 2020, respectively, and (€21.7 million) and €73.3 million during the nine months ended September 30, 2021 and 2020, respectively. These amounts are included in realized and unrealized gains (losses) on derivative instruments, net, in our condensed combined statements of operations. For further information regarding our fair value measurements, see note 6.

The details of our realized and unrealized gains (losses) on derivative instruments, net, are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
	in millions			
Cross-currency and interest rate derivative contracts	€ 70.5	€ (126.2)	€ 332.4	€ (92.4)
Foreign currency forward and option contracts	(0.7)	(19.3)	1.3	(14.1)
Total	€ 69.8	€ (145.5)	€ 333.7	€ (106.5)

The UPC Holding Group
Notes to Condensed Combined Financial Statements — (Continued)
September 30, 2021
(unaudited)

The net cash received or paid related to our derivative instruments is classified as an operating, investing or financing activity in our condensed combined statements of cash flows based on the objective of the derivative instrument and the classification of the applicable underlying cash flows. For derivative contracts that are terminated prior to maturity, the cash paid or received upon termination that relates to future periods is classified as a financing activity. The following table sets forth the classification of the net cash inflows (outflows) of our derivative instruments:

	Nine months ended September 30,	
	2021	2020
	in millions	
Operating activities	€ (2.0)	€ 7.0
Investing activities	—	(24.0)
Financing activities	31.3	(30.6)
Total	€ 29.3	€ (47.6)

Counterparty Credit Risk

We are exposed to the risk that the counterparties to our derivative instruments will default on their obligations to us. We manage these credit risks through the evaluation and monitoring of the creditworthiness of, and concentration of risk with, the respective counterparties. In this regard, credit risk associated with our derivative instruments is spread across a relatively broad counterparty base of banks and financial institutions. Collateral is generally not posted by either party under our derivative instruments. At September 30, 2021, our exposure to counterparty credit risk included derivative assets with an aggregate fair value of €96.8 million.

Details of our Derivative Instruments

In the following tables, we present the details of the various categories of our derivative instruments, the majority of which are held by our subsidiary, UPC Switzerland Holding B.V.

Cross-currency Derivative Contracts

We generally match the denomination of our borrowings with the functional currency of the supporting operations or, when it is more cost effective, we provide for an economic hedge against foreign currency exchange rate movements by using derivative instruments to synthetically convert unmatched debt into the applicable underlying currency. At September 30, 2021, substantially all of our debt was either directly or synthetically matched to the applicable functional currencies of the underlying operations. The following table sets forth the total notional amounts and the related weighted average remaining contractual lives of our cross-currency swap contracts at September 30, 2021:

Notional amount due from counterparty in millions	Notional amount due to counterparty in millions	Weighted average remaining life in years
\$ 360.0	€ 267.9	4.0
\$ 4,650.0	CHF 4,256.9 (a)(b)	6.6
€ 2,650.0	CHF 2,970.1 (b)	4.4
€ 777.0	PLN 3,302.9 (a)	4.3
CHF 740.0	€ 701.1	1.3

- (a) Includes certain derivative instruments that are “forward-starting,” such that the initial exchange occurs at a date subsequent to September 30, 2021. These instruments are typically entered into in order to extend existing hedges without the need to amend existing contracts.

The UPC Holding Group
Notes to Condensed Combined Financial Statements — (Continued)
September 30, 2021
(unaudited)

(b) Includes amounts subject to a 0.0% floor.

Interest Rate Swap Contracts

The following table sets forth the total euro equivalents of the notional amounts and the related weighted average remaining contractual lives of our interest rate swap contracts at September 30, 2021:

Pay fixed rate		Receive fixed rate	
Notional amount	Weighted average remaining life	Notional amount	Weighted average remaining life
in millions	in years	in millions	in years
€ 5,833.1 (a)	3.5	€ 3,921.7 (b)	4.6

(a) Includes forward-starting derivative instruments.

(b) Includes amounts subject to a 0.0% floor.

Interest Rate Swap Options

From time to time, we enter into interest rate swap options (**swaptions**), which give us the right, but not the obligation, to enter into certain interest rate swap contracts at set dates in the future. Such contracts typically have a life of no more than three years. At September 30, 2021, the option expiration period on each of our swaptions had expired.

Basis Swaps

Our basis swaps involve the exchange of attributes used to calculate our floating interest rates, including (i) the benchmark rate, (ii) the underlying currency and/or (iii) the borrowing period. We typically enter into these swaps to optimize our interest rate profile based on our current evaluations of yield curves, our risk management policies and other factors. At September 30, 2021, the total euro equivalent of the notional amounts due from the counterparty was €2.3 billion (subject to a 0.0% floor) and the related weighted average remaining contractual life of our basis swap contracts was 0.3 years.

Interest Rate Caps, Floors and Collars

From time to time, we enter into interest rate cap, floor and collar agreements. Purchased interest rate caps and collars lock in a maximum interest rate if variable rates rise, but also allow our company to benefit, to a limited extent in the case of collars, from declines in market rates. Purchased interest rate floors protect us from interest rates falling below a certain level, generally to match a floating rate floor on a debt instrument. At September 30, 2021, we had no interest rate collar agreements, and the total euro equivalents of the notional amounts of our purchased interest rate caps and floors were €400.0 million and €3,671.5 million, respectively.

Impact of Derivative Instruments on Borrowing Costs

Excluding forward-starting instruments, the impact of the derivative instruments that mitigate our foreign currency and interest rate risk, as described above, was an increase of 15 basis points to our borrowing costs as of September 30, 2021.

Foreign Currency Forwards and Options

We enter into foreign currency forward and option contracts with respect to non-functional currency exposure. As of September 30, 2021, the total euro equivalent of the notional amounts of our foreign currency forward and option contracts was €948.3 million.

The UPC Holding Group
Notes to Condensed Combined Financial Statements — (Continued)
September 30, 2021
(unaudited)

(6) Fair Value Measurements

We use the fair value method to account for our derivative instruments. The reported fair values of these instruments as of September 30, 2021 are unlikely to represent the value that will be paid or received upon the ultimate settlement or disposition of these assets and liabilities.

GAAP provides for a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. We record transfers of assets or liabilities into or out of Levels 1, 2 or 3 at the beginning of the quarter during which the transfer occurred.

We use a Monte Carlo based approach to incorporate a credit risk valuation adjustment in our fair value measurements to estimate the impact of both our own nonperformance risk and the nonperformance risk of our counterparties. Our credit risk valuation adjustments with respect to our cross-currency and interest rate swaps are quantified and further explained in note 5.

Fair value measurements are also used in connection with nonrecurring valuations performed in connection with acquisition accounting and impairment assessments. The nonrecurring valuations associated with acquisition accounting primarily include the valuation of reporting units, customer relationship and other intangible assets and property and equipment. Unless a reporting unit has a readily determinable fair value, the valuation of reporting units is based at least in part on discounted cash flow analyses. With the exception of certain inputs for our weighted average cost of capital and discount rate calculations that are derived from pricing services, the inputs used in our discounted cash flow analyses, such as forecasts of future cash flows, are based on our assumptions. The valuation of customer relationships is primarily based on an excess earnings methodology, which is a form of a discounted cash flow analysis. The excess earnings methodology requires us to estimate the specific cash flows expected from the customer relationship, considering such factors as estimated customer life, the revenue expected to be generated over the life of the customer relationship, contributory asset charges and other factors. Tangible assets are typically valued using a replacement or reproduction cost approach, considering factors such as current prices of the same or similar equipment, the age of the equipment and economic obsolescence. Most of our nonrecurring valuations use significant unobservable inputs and therefore fall under Level 3 of the fair value hierarchy. During the nine months ended September 30, 2021 and 2020, we did not perform any significant nonrecurring fair value measurements.

At September 30, 2021 and December 31, 2020, all of our derivative instruments fell under Level 2 of the fair value hierarchy, as all of our Level 3 swaptions had expired.

For additional information concerning our fair value measurements, see note 7 to the combined financial statements included in our 2020 annual report.

The UPC Holding Group
Notes to Condensed Combined Financial Statements — (Continued)
September 30, 2021
(unaudited)

(7) Long-lived Assets

Property and Equipment, Net

The details of our property and equipment and the related accumulated depreciation are set forth below:

	September 30, 2021	December 31, 2020
	in millions	
Distribution systems	€ 3,782.4	€ 3,589.6
Customer premises equipment	440.3	413.5
Support equipment, buildings and land	791.6	676.8
Total property and equipment, gross	5,014.3	4,679.9
Accumulated depreciation	(2,543.9)	(2,240.6)
Total property and equipment, net	<u>€ 2,470.4</u>	<u>€ 2,439.3</u>

During the nine months ended September 30, 2021 and 2020, we recorded non-cash increases to our property and equipment related to certain vendor financing arrangements of €165.4 million and €217.1 million, respectively, which exclude related value-added taxes (VAT) of €2.6 million and €35.3 million, respectively, that were also financed under these arrangements.

Goodwill

Changes in the carrying amount of our goodwill during the nine months ended September 30, 2021 are set forth below:

	January 1, 2021	Acquisitions and related adjustments	Foreign currency translation adjustments	September 30, 2021
	in millions			
Switzerland	€ 5,575.2	€ 14.8	€ (33.2)	€ 5,556.8
Central and Other	56.6	—	—	56.6
Total	<u>€ 5,631.8</u>	<u>€ 14.8</u>	<u>€ (33.2)</u>	<u>€ 5,613.4</u>

If, among other factors, (i) our enterprise value or Liberty Global's equity value were to decline or (ii) the adverse impacts of economic, competitive, regulatory or other factors were to cause our results of operations or cash flows to be worse than anticipated, we could conclude in future periods that impairment charges are required in order to reduce the carrying values of our goodwill and, to a lesser extent, other long-lived assets. Any such impairment charges could be significant.

The UPC Holding Group
Notes to Condensed Combined Financial Statements — (Continued)
September 30, 2021
(unaudited)

Intangible Assets Subject to Amortization, Net

The details of our intangible assets subject to amortization are set forth below:

	September 30, 2021			December 31, 2020		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
	in millions					
Customer relationships	€ 1,793.2	€ (300.7)	€ 1,492.5	€ 1,788.6	€ (76.6)	€ 1,712.0
Other	377.7	(48.8)	328.9	372.3	(14.1)	358.2
Total	€ 2,170.9	€ (349.5)	€ 1,821.4	€ 2,160.9	€ (90.7)	€ 2,070.2

(8) Debt

The euro equivalents of the components of our combined third-party debt are as follows:

	September 30, 2021		Principal amount	
	Weighted average interest rate (a)	Unused borrowing capacity (b)	September 30, 2021	December 31, 2020
	in millions			
Parent entities – UPC Holding Senior Notes	4.59 %	€ —	€ 1,056.6	€ 1,031.9
Combined entities:				
UPC Holding Bank Facility (c)	2.87 %	716.2	3,531.2	3,899.3
UPCB SPE Notes	4.43 %	—	1,680.3	1,140.0
Vendor financing (d)	1.73 %	—	358.3	275.5
Total third-party debt before deferred financing costs and discounts (e)	<u>3.48 %</u>	<u>€ 716.2</u>	<u>€ 6,626.4</u>	<u>€ 6,346.7</u>

The following table provides a reconciliation of total third-party debt before deferred financing costs and discounts to total debt and finance lease obligations:

	September 30, 2021	December 31, 2020
	in millions	
Total third-party debt before deferred financing costs and discounts	€ 6,626.4	€ 6,346.7
Deferred financing costs and discounts, net	(32.5)	(80.6)
Total carrying amount of third-party debt	6,593.9	6,266.1
Finance lease obligations (note 9)	11.1	15.2
Total third-party debt and finance lease obligations	6,605.0	6,281.3
Related-party debt (note 11)	1.7	67.6
Total debt and finance lease obligations	6,606.7	6,348.9
Current maturities of debt and finance lease obligations	(360.4)	(279.3)
Long-term debt and finance lease obligations	<u>€ 6,246.3</u>	<u>€ 6,069.6</u>

The UPC Holding Group
Notes to Condensed Combined Financial Statements — (Continued)
September 30, 2021
(unaudited)

- (a) Represents the weighted average interest rate in effect at September 30, 2021 for all borrowings outstanding pursuant to each debt instrument, including any applicable margin. The interest rates presented represent stated rates and do not include the impact of derivative instruments, deferred financing costs, original issue premiums or discounts and commitment fees, all of which affect our overall cost of borrowing. Including the effects of derivative instruments, original issue premiums or discounts and commitment fees, but excluding the impact of deferred financing costs, the weighted average interest rate on our aggregate third-party variable- and fixed-rate indebtedness was 3.73% at September 30, 2021. For information regarding our derivative instruments, see note 5.
- (b) Unused borrowing capacity represents the maximum availability under the UPC Holding Bank Facility at September 30, 2021 without regard to covenant compliance calculations or other conditions precedent to borrowing. At September 30, 2021, based on the most restrictive applicable leverage covenants and leverage-based restricted payment tests, the full €716.2 million of unused borrowing capacity was available to be borrowed and there were no additional restrictions on our ability to make loans or distributions from this availability. Upon completion of the relevant September 30, 2021 compliance reporting requirements, and based on the most restrictive applicable leverage covenants and leverage-based restricted payment tests, we expect the full amount of unused borrowing capacity will continue to be available, with no additional restriction to loan or distribute. Our above expectations do not consider any actual or potential changes to our borrowing levels or any amounts loaned or distributed subsequent to September 30, 2021, or the impact of additional amounts that may be available to borrow, loan, or distribute under certain defined baskets within the UPC Holding Bank Facility.
- (c) Unused borrowing capacity under the UPC Holding Bank Facility relates to an equivalent €716.2 million under the UPC Revolving Facility, part of which has been made available as an ancillary facility. During 2021, the UPC Revolving Facility was amended to provide for maximum borrowing capacity of €736.4 million, including €23.0 million under the related ancillary facility. With the exception of €20.2 million of borrowings under the ancillary facility, the UPC Revolving Facility was undrawn at September 30, 2021.
- (d) Represents amounts owed to various creditors pursuant to interest-bearing vendor financing arrangements that are used to finance certain of our property and equipment additions and operating expenses. These arrangements extend our repayment terms beyond a vendor's original due dates (e.g. extension beyond a vendor's customary payment terms, which are generally 90 days or less) and as such are classified outside of accounts payable on our condensed combined balance sheet. These obligations are generally due within one year and include VAT that was also financed under these arrangements. For purposes of our condensed combined statements of cash flows, operating expenses financed by an intermediary are treated as hypothetical operating cash outflows and hypothetical financing cash inflows when the expenses are incurred. During the nine months ended September 30, 2021 and 2020, the hypothetical cash outflow included in cash flows from operating activities and the corresponding hypothetical cash inflow included in cash flows from financing activities related to these operating expenses was €139.9 million and €87.5 million, respectively. Repayments of vendor financing obligations are included in repayments and repurchases of third-party debt and finance lease obligations in our condensed combined statements of cash flows.
- (e) As of September 30, 2021 and December 31, 2020, our debt had an estimated fair value of €6.7 billion and €6.5 billion, respectively. The estimated fair values of our debt instruments are generally determined using the average of applicable bid and ask prices (mostly Level 1 of the fair value hierarchy). For additional information regarding fair value hierarchies, see note 6.

The UPC Holding Group
Notes to Condensed Combined Financial Statements — (Continued)
September 30, 2021
(unaudited)

Financing Transactions

Below we provide a summary description of certain financing transactions completed during 2021. Generally, a portion of our financing transactions may include non-cash borrowings and repayments. During the nine months ended September 30, 2021 and 2020, non-cash borrowings and repayments aggregated €2.4 billion and nil, respectively. Unless otherwise noted, the terms and conditions of any new notes and/or credit facilities are largely consistent with those of existing notes and credit facilities with regard to covenants, events of default and change of control provisions, among other items. For information regarding the general terms and conditions of our debt and capitalized terms not defined herein, see note 9 to the combined financial statements included in our 2020 annual report.

During the second quarter of 2021, we completed a number of financing transactions that generally resulted in lower interest rates and extended maturities, including the issuance of certain senior secured notes and the entrance into certain accession agreements under the UPC Holding Bank Facility. In connection with these transactions, we recognized an aggregate loss on debt extinguishment of €75.1 million related to (i) the write-off of €64.3 million of unamortized deferred financing costs and discounts and (ii) the payment of €10.8 million of redemption premiums. In September 2021, Liberty Global and UPC Poland entered into an agreement to sell our operations in Poland, the proceeds of which are expected to be used, in part, to repay a portion of our outstanding indebtedness. For additional information, see note 4.

The following tables summarize our outstanding indebtedness as of September 30, 2021 with respect to (i) the UPC Holding Bank Facility and (ii) the UPCB SPE Notes, after completion of the aforementioned financing transactions.

<u>UPC Holding Bank Facility</u>	<u>Maturity</u>	<u>Interest rate</u>	<u>Facility amount (borrowing currency) (a)</u>	<u>Unused borrowing capacity</u>	<u>Outstanding principal amount</u>	<u>Carrying value (b)</u>
in millions						
AQ (c)	June 15, 2029	3.625%	€ 600.0	€ —	€ 600.0	€ 596.4
AT (d)	April 30, 2028	LIBOR + 2.25%	\$ 700.0	—	605.0	602.2
AU (e)	April 30, 2029	EURIBOR + 2.5%	€ 400.0	—	400.0	398.1
AX (d)	January 31, 2029	LIBOR + 3.0%	\$ 1,925.0	—	1,663.7	1,650.7
AY (e)	January 31, 2029	EURIBOR + 3.0%	€ 862.5	—	862.5	857.8
AZ (c)	July 15, 2031	4.875%	\$ 1,250.0	—	1,080.3	1,079.1
UPC Revolving Facility (f) ..	May 31, 2026	EURIBOR + 2.5%	€ 736.4	716.2	—	—
Elimination of Facilities AQ and AZ in consolidation (c)				—	(1,680.3)	(1,675.5)
Total				€ 716.2	€ 3,531.2	€ 3,508.8

- (a) Except as described in (c) below, amounts represent total third-party facility amounts at September 30, 2021.
- (b) Amounts are net of deferred financing costs and discounts, where applicable.
- (c) The amounts outstanding under UPC Facilities AQ and AZ are eliminated in our condensed combined financial statements.
- (d) UPC Facilities AT and AX are each subject to a LIBOR floor of 0.0%.
- (e) UPC Facilities AU and AY are each subject to a EURIBOR floor of 0.0%.
- (f) The UPC Revolving Facility has a fee on unused commitments of 1.0% per year.

The UPC Holding Group
Notes to Condensed Combined Financial Statements — (Continued)
September 30, 2021
(unaudited)

UPCB SPE Notes	Maturity	Interest rate	Original issue amount	Outstanding principal amount		Carrying value (a)
				Borrowing currency	Euro equivalent	
in millions						
UPCB Finance VII Euro Notes	June 15, 2029	3.625%	€ 600.0	€ 600.0	€ 600.0	€ 596.4
2031 UPC Senior Secured Notes	July 15, 2031	4.875%	\$ 1,250.0	\$ 1,250.0	1,080.3	1,079.1
Total					€ 1,680.3	€ 1,675.5

(a) Amounts are net of deferred financing costs and discounts, where applicable.

Maturities of Debt

Maturities of our debt as of September 30, 2021 are presented below and represent euro equivalents based on September 30, 2021 exchange rates:

	Third-party debt (a)	Related-party debt	Total
in millions			
Year ending December 31:			
2021 (remainder of year)	€ 54.1	€ —	€ 54.1
2022	304.2	—	304.2
2023	—	—	—
2024	—	—	—
2025	—	—	—
2026	—	—	—
Thereafter	6,268.1	1.7	6,269.8
Total debt maturities (b)	6,626.4	1.7	6,628.1
Deferred financing costs and discounts, net	(32.5)	—	(32.5)
Total debt	€ 6,593.9	€ 1.7	€ 6,595.6
Current portion	€ 358.3	€ —	€ 358.3
Noncurrent portion	€ 6,235.6	€ 1.7	€ 6,237.3

(a) Maturities in years 2021 and 2022 represent amounts related to vendor financing obligations.

(b) Amounts include certain senior secured notes issued by special purpose financing entities that are included in our condensed combined financial statements.

The UPC Holding Group
Notes to Condensed Combined Financial Statements — (Continued)
September 30, 2021
(unaudited)

(9) Leases

General

We enter into operating and finance leases for network equipment, real estate and vehicles. We provide residual value guarantees on certain of our vehicle leases.

Lease Balances

A summary of our ROU assets and lease liabilities is set forth below:

	September 30, 2021	December 31, 2020
	in millions	
ROU assets:		
Operating leases (a)	€ 940.4	€ 989.2
Finance leases (b)	10.2	10.2
Total ROU assets	€ 950.6	€ 999.4
Lease liabilities:		
Operating leases	€ 936.2	€ 971.0
Finance leases (c)	11.1	15.2
Total lease liabilities	€ 947.3	€ 986.2

- (a) At September 30, 2021, the weighted average remaining lease term for operating leases was 13.7 years and the weighted average discount rate was 6.2%. During the nine months ended September 30, 2021 and 2020, we recorded non-cash additions to our operating lease ROU assets of €29.3 million and €10.8 million, respectively.
- (b) Our finance lease ROU assets are included in property and equipment, net, on our condensed combined balance sheets. At September 30, 2021, the weighted average remaining lease term for finance leases was 6.2 years and the weighted average discount rate was 5.6%. During the nine months ended September 30, 2021 and 2020, we recorded non-cash additions to our finance lease ROU assets of €1.6 million and €0.7 million, respectively.
- (c) The current and long-term portions of our finance lease liabilities are included within current portion of debt and finance lease obligations and long-term debt and finance lease obligations, respectively, on our condensed combined balance sheets.

The UPC Holding Group
Notes to Condensed Combined Financial Statements — (Continued)
September 30, 2021
(unaudited)

A summary of our aggregate lease expense is set forth below:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
	in millions			
Finance lease expense:				
Depreciation and amortization	€ 0.9	€ 0.5	€ 2.0	€ 1.7
Interest expense	0.3	0.2	0.6	0.6
Total finance lease expense	1.2	0.7	2.6	2.3
Operating lease expense (a)	32.2	5.1	94.9	15.2
Short-term lease expense (a)	1.0	0.8	3.4	2.5
Total lease expense	<u>€ 34.4</u>	<u>€ 6.6</u>	<u>€ 100.9</u>	<u>€ 20.0</u>

- (a) Our operating lease expense and short-term lease expense are included in programming and other direct costs of services, other operating expenses, SG&A expenses and impairment, restructuring and other operating items, net in our condensed combined statements of operations.

A summary of our cash outflows from operating and finance leases is set forth below:

	Nine months ended September 30,	
	2021	2020
	in millions	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflows from operating leases	€ 99.6	€ 16.9
Operating cash outflows from finance leases	0.6	0.6
Financing cash outflows from finance leases	1.7	1.8
Total cash outflows from operating and finance leases	<u>€ 101.9</u>	<u>€ 19.3</u>

The UPC Holding Group
Notes to Condensed Combined Financial Statements — (Continued)
September 30, 2021
(unaudited)

Maturities of our operating and finance lease liabilities as of September 30, 2021 are presented below and represent euro equivalents based on September 30, 2021 exchange rates:

	Operating leases	Finance leases
	in millions	
Year ending December 31:		
2021 (remainder of year)	€ 29.2	€ —
2022	124.2	2.7
2023	116.3	2.4
2024	110.2	2.2
2025	104.2	1.9
2026	13.1	1.9
Thereafter	916.1	2.2
Total payments	1,413.3	13.3
Less: present value discount	(477.1)	(2.2)
Present value of lease payments	€ 936.2	€ 11.1
Current portion	€ 109.2	€ 2.1
Noncurrent portion	€ 827.0	€ 9.0

(10) Income Taxes

Income tax benefit (expense) attributable to our earnings (loss) from continuing operations before income taxes differs from the amounts computed using the Dutch income tax rate of 25.0%, as a result of the following factors:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
	in millions			
Computed “expected” tax benefit (expense)	€ (10.8)	€ 30.7	€ 32.6	€ 41.5
Change in valuation allowance	23.3	(33.0)	32.9	(50.3)
International rate differences (a)	(3.5)	2.4	(18.3)	4.5
Non-deductible or non-taxable interest and other expenses	(0.2)	9.7	(1.1)	5.5
Basis and other differences in treatment of investments	16.1	(1.2)	(0.1)	(1.7)
Other, net	0.2	0.3	(2.1)	—
Total income tax benefit (expense)	€ 25.1	€ 8.9	€ 43.9	€ (0.5)

- (a) Amounts reflect adjustments (either a benefit or expense) to the “expected” tax benefit for statutory rates in jurisdictions in which we operate that are outside of the Netherlands.

The UPC Holding Group
Notes to Condensed Combined Financial Statements — (Continued)
September 30, 2021
(unaudited)

(11) Related-party Transactions

Our related-party transactions are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
in millions				
Credits (charges) included in:				
Revenue	€ 0.2	€ (0.8)	€ 0.8	€ 0.2
Programming and other direct cost of services	(0.6)	(2.5)	(4.2)	(5.8)
Other operating	(3.0)	(3.8)	(9.8)	(11.1)
SG&A (b)	(3.5)	(2.0)	(10.4)	(4.4)
Allocated share-based compensation expense	(5.6)	(6.8)	(15.7)	(15.3)
Fees and allocations, net:				
Operating and SG&A (exclusive of depreciation and share-based compensation)	(15.3)	(17.0)	(21.1)	(18.9)
Depreciation	(18.4)	(40.1)	(52.3)	(93.7)
Share-based compensation	(9.4)	(4.6)	(26.9)	(17.3)
Management fee	3.6	4.4	(19.2)	(15.0)
Total fees and allocations, net	(39.5)	(57.3)	(119.5)	(144.9)
Included in operating income (loss)	(52.0)	(73.2)	(158.8)	(181.3)
Interest expense	(1.2)	—	(5.5)	—
Interest income	—	1.7	—	7.8
Included in net earnings (loss)	€ (53.2)	€ (71.5)	€ (164.3)	€ (173.5)
Property and equipment transfers, net	€ 0.6	€ (0.7)	€ 5.8	€ (0.5)

General. The UPC Holding Group charges fees and allocates costs and expenses to certain other Liberty Global subsidiaries and certain Liberty Global subsidiaries outside of the UPC Holding Group charge fees and allocate costs and expenses to the UPC Holding Group. Depending on the nature of these related-party transactions, the amount of the charges or allocations may be based on (i) our estimated share of the underlying costs, (ii) our estimated share of the underlying costs plus a mark-up or (iii) commercially-negotiated rates. The methodology Liberty Global uses to allocate its central and administrative costs to its borrowing groups impacts the calculation of the “EBITDA” metric specified by our debt agreements (**Covenant EBITDA**). In this regard, the components of related-party fees and allocations that are deducted to arrive at our Covenant EBITDA are based on (a) the amount and nature of costs incurred by the allocating Liberty Global subsidiaries during the period, (b) the allocation methodologies in effect during the period and (c) the size of the overall pool of entities that are charged fees and allocated costs, such that changes in any of these factors would likely result in changes to the amount of related-party fees and allocations that will be deducted to arrive at our Covenant EBITDA in future periods. For example, to the extent that a Liberty Global subsidiary borrowing group was to acquire (sell) an operating entity, and assuming no change in the total costs incurred by the allocating entities, the fees charged and the costs allocated to our company would decrease (increase). Although we believe that the related-party charges and allocations described below are reasonable, no assurance can be given that the related-party costs and expenses reflected in our condensed combined statements of operations are reflective of the costs that we would incur on a standalone basis.

Revenue. Amounts primarily relate to B2B related services and network maintenance services provided to certain affiliates outside of the UPC Holding Group.

Programming and other direct costs of services. Amounts represent certain cash settled charges from other Liberty Global subsidiaries and affiliates to the UPC Holding Group for programming-related and interconnect services provided to our company.

The UPC Holding Group
Notes to Condensed Combined Financial Statements — (Continued)
September 30, 2021
(unaudited)

Other operating expenses. Amounts include certain charges, which may be cash or loan settled, between Liberty Global subsidiaries and the UPC Holding Group, primarily for network-related services and other items.

SG&A expenses. Amounts represent certain charges, which may be cash or loan settled, between Liberty Global subsidiaries and the UPC Holding Group, primarily for information technology-related services and software maintenance services.

Allocated share-based compensation expense. Amounts are allocated to our company by Liberty Global subsidiaries and represent share-based compensation expense associated with the Liberty Global share-based incentive awards held by certain employees of our combined entities. Share-based compensation expense is included in SG&A expenses in our condensed combined statements of operations.

Fees and allocations, net. These amounts, which are based on our company's estimated share of the applicable costs (including personnel-related and other costs associated with the services provided) incurred by Liberty Global subsidiaries, represent the aggregate net effect of charges between our company and various Liberty Global subsidiaries that are outside of our company. These charges generally relate to management, finance, legal and other services that support our company's operations. The categories of our fees and allocations, net, are as follows:

- *Operating and SG&A (exclusive of depreciation and share-based compensation).* The amounts included in this category, which may be cash or loan settled, represent charges between our company and other Liberty Global subsidiaries for certain management, marketing, finance and other operating and SG&A expenses incurred by our company and other Liberty Global subsidiaries, whose activities benefit multiple operations, including operations within and outside of the UPC Holding Group. Amounts represent the charge to or from our company based on our estimated share of the actual costs incurred by our company or other Liberty Global subsidiaries, without a mark-up. Amounts in this category are generally deducted to arrive at our Covenant EBITDA.
- *Depreciation.* The amounts included in this category, which may be cash or loan settled, represent our estimated share of depreciation of assets not owned by our company. The amounts allocated represent our estimated share of the actual costs incurred by Liberty Global subsidiaries, without a mark-up.
- *Share-based compensation.* The amounts included in this category, which may be cash or loan settled, represent our estimated share of share-based compensation associated with Liberty Global employees who are not employees of our company. The amounts allocated represent our estimated share of the actual costs incurred by Liberty Global subsidiaries, without a mark-up.
- *Management fee.* The amounts included in this category, which may be cash or loan settled, represent our estimated allocable share of (i) operating and SG&A expenses related to stewardship services provided by certain Liberty Global subsidiaries and (ii) the mark-up, if any, applicable to each category of the related-party fees and allocations charged to our company.

Technology-based charges. Liberty Global charges technology-based fees to our company. Prior to July 1, 2020, such charges were calculated using a royalty-based method (the **Royalty-based Method**). To the extent that our proportional share of the technology-based costs was more than the actual amounts charged under the Royalty-based Method, such excess amounts were reflected as deemed contributions of technology-related services in our condensed combined statements of equity. During the six months ended June 30, 2020, our proportional share of the technology-based costs, including amounts related to UPC Poland, was €22.8 million more than the actual amount charged under the Royalty-based Method. During the three months ended September 30, 2020, we recorded a €23.3 million adjustment to the excess amounts that were reflected as deemed contributions of technology-related services in our condensed combined statement of equity related to the first six months of 2020, including amounts related to UPC Poland. Under the Royalty-based Method, any excess amounts we were charged that exceeded our proportional share of the technology-based costs were classified as management fees and were added back to arrive at Covenant EBITDA.

The UPC Holding Group
Notes to Condensed Combined Financial Statements — (Continued)
September 30, 2021
(unaudited)

Effective July 1, 2020, the Royalty-based Method was terminated and replaced with a new method whereby the technology-based fees charged by Liberty Global to our company are now based on our estimated share of the underlying costs plus a mark-up (the **Cost Plus Method**). The portion of the charge representing the mark-up is reflected as a capital charge for technology-related services in our condensed combined statement of equity. For the nine months ended September 30, 2021 and for the period July 1, 2020 through September 30, 2020, our estimated share of the technology-based costs, including amounts related to UPC Poland, resulted in capital charges of €6.7 million and €2.5 million, respectively, related to the associated mark-up. In addition, in connection with the July 1, 2020 change to the Cost Plus Method, we were charged a one-time transfer pricing transition fee of €204.6 million, which is reflected in our condensed combined statement of equity for the three months ended September 30, 2020.

Interest expense. Amounts primarily relate to interest accrued on the Shareholder Loan (as defined and described below). Interest expense is accrued and included in other long-term liabilities during the year, and then added to the Shareholder Loan balance at the end of the year.

Interest income. Amounts primarily include interest accrued on the LGEF Receivable (as defined and described below). Interest income is accrued and included in long-term interest receivable during the year, and then added to the LGEF Receivable balance at the beginning of the following year.

Property and equipment transfers, net. These amounts, which are generally cash settled, include the net carrying values of (i) construction in progress, including certain capitalized labor, transferred to or acquired from other Liberty Global subsidiaries, (ii) customer premises equipment acquired from other Liberty Global subsidiaries outside of the UPC Holding Group, which centrally procure equipment on behalf of our company and various other Liberty Global subsidiaries and (iii) used customer premises and network-related equipment acquired from or transferred to other Liberty Global subsidiaries outside of the UPC Holding Group.

The UPC Holding Group
Notes to Condensed Combined Financial Statements — (Continued)
September 30, 2021
(unaudited)

The following table provides details of our related-party balances:

	September 30, 2021	December 31, 2020
	in millions	
Assets:		
Current receivables (a)	€ 16.7	€ 18.3
Other long-term receivables	2.1	—
Total	<u>€ 18.8</u>	<u>€ 18.3</u>
Liabilities:		
Accounts payable	€ 82.3	€ 20.9
Accrued liabilities	8.9	69.8
Shareholder Loan (b)	1.7	67.6
Other long-term liabilities	5.8	0.3
Total	<u>€ 98.7</u>	<u>€ 158.6</u>

- (a) Amounts primarily include (i) as of September 30, 2021, €11.9 million of receivables due from Liberty Global Corporate B.V., (ii) €1.2 million and €10.9 million, respectively, of receivables due from Liberty Global B.V. and (iii) as of December 31, 2020, €4.9 million of receivables due from Liberty Global Services B.V. These receivables are non-interest bearing, may be cash or loan settled and are included within trade receivables, net and related-party receivables on our condensed combined balance sheets.
- (b) UPC Holding has an unsecured shareholder loan (the **Shareholder Loan**) with LGE Financing B.V. (**LGE Financing**), which, as amended, matures in 2030 and is subordinated in right of payment to the prior payment in full of the UPC Holding Senior Notes in the event of (i) a total or partial liquidation, dissolution or winding up of UPC Holding, (ii) a bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to UPC Holding or its property, (iii) an assignment for the benefit of creditors or (iv) any marshaling of UPC Holding's assets or liabilities. The interest rate on the Shareholder Loan is a fixed rate of 4.18% and accrued interest is included in other long-term liabilities until it is transferred to the loan balance at the end of each year. The net decrease in the Shareholder Loan balance during the nine months ended September 30, 2021 includes (a) cash repayments of €1,674.0 million, (b) cash advances of €1,462.0 million and (c) a €146.1 million non-cash increase related to the settlement of certain related-party amounts.

UPC Holding has a related-party receivable (the **LGEF Receivable**) due from LGE Financing. The LGEF Receivable bears interest at a rate of 5.96% and matures on January 1, 2029. Accrued interest on the LGEF Receivable is transferred to the receivable balance at the beginning of each year. At September 30, 2021 and December 31, 2020, there was no outstanding balance on the LGEF Receivable.

During the nine months ended September 30, 2021 and 2020, we recorded aggregate capital charges of €16.0 million and €2.9 million, respectively, in our condensed combined statements of equity in connection with the exercise of Liberty Global share appreciation rights and the vesting of Liberty Global restricted share units and performance-based restricted share units held by employees of our combined entities, including amounts related to UPC Poland. We and Liberty Global have agreed that these capital charges will be based on the fair value of the underlying Liberty Global shares associated with share-based incentive awards that vest or are exercised during the period, subject to any reduction that is necessary to ensure that the capital charge does not exceed the amount of share-based compensation expense recorded by our company with respect to Liberty Global share-based incentive awards.

The UPC Holding Group
Notes to Condensed Combined Financial Statements — (Continued)
September 30, 2021
(unaudited)

(12) Commitments and Contingencies

Commitments

In the normal course of business, we have entered into agreements that commit our company to make cash payments in future periods with respect to programming contracts, network and connectivity commitments, purchases of customer premises and other equipment and services and other items. The following table sets forth the euro equivalents of such commitments for our continuing operations as of September 30, 2021. The commitments included in this table do not reflect any liabilities that are included on our September 30, 2021 condensed combined balance sheet.

	Payments due during:							Total
	Remainder of 2021	2022	2023	2024	2025	2026	Thereafter	
	in millions							
Programming commitments ...	€ 24.4	€ 68.5	€ 45.3	€ 34.0	€ 28.6	€ 27.8	€ 13.8	€ 242.4
Network and connectivity commitments	24.1	37.5	30.1	13.1	12.4	5.3	27.3	149.8
Purchase commitments	69.4	69.9	2.7	1.4	—	—	—	143.4
Other commitments	11.3	61.0	45.4	23.2	23.9	23.9	102.4	291.1
Total	€ 129.2	€ 236.9	€ 123.5	€ 71.7	€ 64.9	€ 57.0	€ 143.5	€ 826.7

Programming commitments consist of obligations associated with certain of our programming and sports rights contracts that are enforceable and legally binding on us as we have agreed to pay minimum fees without regard to (i) the actual number of subscribers to the programming services, (ii) whether we terminate service to a portion of our subscribers or dispose of a portion of our distribution systems or (iii) whether we discontinue our premium sports services. Programming commitments do not include increases in future periods associated with contractual inflation or other price adjustments that are not fixed. Accordingly, the amounts reflected in the above table with respect to these contracts are significantly less than the amounts we expect to pay in these periods under these contracts. Historically, payments to programming vendors have represented a significant portion of our operating costs, and we expect that this will continue to be the case in future periods. In this regard, our total programming and copyright costs aggregated €41.7 million and €45.5 million during the nine months ended September 30, 2021 and 2020, respectively.

Programming costs include (i) agreements to distribute channels to our customers, (ii) exhibition rights of programming content and (iii) sports rights.

Channel Distribution Agreements. Our channel distribution agreements are generally multi-year contracts for which we are charged either (i) variable rates based upon the number of subscribers or (ii) on a flat fee basis. Certain of our variable rate contracts require minimum guarantees. Programming costs under such arrangements are recorded in operating costs and expenses in our condensed combined statement of operations when the programming is available for viewing.

Exhibition Rights. Our agreements for exhibition rights are generally multi-year license agreements for which we are typically charged a percentage of the revenue earned per program. The current and long-term portions of our exhibition rights acquired under licenses are recorded as other current assets and other assets, net, respectively, on our condensed combined balance sheet when the license period begins and the program is available for its first showing. Capitalized exhibition rights are amortized based on the projected future showings of the content using a straight-line or accelerated method of amortization, as appropriate. Exhibition rights are regularly reviewed for impairment and held at the lower of unamortized cost or estimated net realizable value.

Sports Rights. Our sports rights agreements are generally multi-year contracts for which we are typically charged a flat fee per season. We typically pay for sports rights in advance of the respective season. The current and long-term portions of any payments made in advance of the respective season are recorded as other current assets and other assets, net, respectively, on our condensed combined balance sheet and are amortized on a straight-line basis over the respective sporting season. Sports rights are regularly reviewed for impairment and held at the lower of unamortized cost or estimated net realizable value.

The UPC Holding Group
Notes to Condensed Combined Financial Statements — (Continued)
September 30, 2021
(unaudited)

Network and connectivity commitments include commitments associated with (i) network maintenance commitments, (ii) fiber leasing agreements and (iii) commitments associated with our mobile virtual network operator (**MVNO**) agreements. Amounts related to certain of our MVNO commitments represent fixed minimum amounts payable under these agreements and, therefore, may be significantly less than the actual amounts we ultimately pay in future periods.

Purchase commitments include unconditional and legally-binding obligations related to (i) the purchase of customer premises and other equipment and (ii) certain service-related commitments, such as information technology and maintenance services.

In addition to the commitments set forth in the table above, we have significant commitments under (i) derivative instruments and (ii) defined benefit plans and similar agreements, pursuant to which we expect to make payments in future periods. For information regarding our derivative instruments, including the net cash paid or received in connection with these instruments during the nine months ended September 30, 2021 and 2020, see note 5.

We also have commitments pursuant to agreements with, and obligations imposed by, franchise authorities and municipalities, which may include obligations in certain markets to move aerial cable to underground ducts or to upgrade, rebuild or extend portions of our broadband communication systems. Such amounts are not included in the above table because they are not fixed or determinable.

Guarantees and Other Credit Enhancements

In the ordinary course of business, we may provide (i) indemnifications to our lenders, our vendors and certain other parties and (ii) performance and/or financial guarantees to local municipalities, our customers and vendors. Historically, these arrangements have not resulted in our company making any material payments and we do not believe that they will result in material payments in the future.

Other Regulatory Matters. Broadband internet, video distribution, fixed-line telephony, mobile and content businesses are regulated in each of the countries in which we operate. The scope of regulation varies from country to country, although in some significant respects regulation in European markets is harmonized under the regulatory structure of the European Union (**E.U.**). Adverse regulatory developments could subject our businesses to a number of risks. Regulation, including conditions imposed on us by competition or other authorities as a requirement to close acquisitions or dispositions, could limit growth, revenue and the number and types of services offered and could lead to increased operating costs and property and equipment additions. Regulation may also restrict our operations and subject them to further competitive pressure, including pricing restrictions, interconnect and other access obligations, and restrictions or controls on content, including content provided by third parties. Failure to comply with current or future regulation could expose our businesses to various penalties.

In addition to the foregoing items, we have contingent liabilities related to matters arising in the ordinary course of business including (i) legal proceedings, (ii) issues involving VAT and wage, property, withholding and other tax issues and (iii) disputes over interconnection, programming, copyright and channel carriage fees. While we generally expect that the amounts required to satisfy these contingencies will not materially differ from any estimated amounts we have accrued, no assurance can be given that the resolution of one or more of these contingencies will not result in a material impact on our results of operations, cash flows or financial position in any given period. Due, in general, to the complexity of the issues involved and, in certain cases, the lack of a clear basis for predicting outcomes, we cannot provide a meaningful range of potential losses or cash outflows that might result from any unfavorable outcomes.

The UPC Holding Group
Notes to Condensed Combined Financial Statements — (Continued)
September 30, 2021
(unaudited)

(13) Segment Reporting

We generally identify our reportable segments as those operating entities that represent 10% or more of our revenue, Segment Adjusted EBITDA (as defined below) or total assets. In certain cases, we may elect to include an operating segment in our segment disclosure that does not meet the above-described criteria for a reportable segment. We evaluate performance and make decisions about allocating resources to our operating segments based on financial measures such as revenue and Segment Adjusted EBITDA. In addition, we review non-financial measures such as customer growth, as appropriate.

Segment Adjusted EBITDA is the primary measure used by our chief operating decision maker to evaluate segment operating performance and is also a key factor that is used by our internal decision makers to (i) determine how to allocate resources to segments and (ii) evaluate the effectiveness of our management for purposes of annual and other incentive compensation plans. As we use the term, “**Segment Adjusted EBITDA**” is defined as earnings (loss) from continuing operations before net income tax benefit (expense), other non-operating income or expenses, net gains (losses) on debt extinguishment, net foreign currency gains (losses), net gains (losses) on derivative instruments, interest expense, depreciation and amortization, share-based compensation, related-party fees and allocations, provisions and provision releases related to significant litigation and impairment, restructuring and other operating items. Other operating items include (a) gains and losses on the disposition of long-lived assets, (b) third-party costs directly associated with successful and unsuccessful acquisitions and dispositions, including legal, advisory and due diligence fees, as applicable, and (c) other acquisition-related items, such as gains and losses on the settlement of contingent consideration. Our internal decision makers believe Segment Adjusted EBITDA is a meaningful measure because it represents a transparent view of our recurring operating performance that is unaffected by our capital structure and allows management to (1) readily view operating trends, (2) perform analytical comparisons and benchmarking between segments and (3) identify strategies to improve operating performance in the different countries in which we operate. A reconciliation of earnings or loss from continuing operations to Segment Adjusted EBITDA is presented below.

As of September 30, 2021, our reportable segments are as follows:

- Switzerland
- Central and Other

On September 22, 2021, Liberty Global and UPC Poland entered into an agreement to sell our operations in Poland (see note 4). Accordingly, segment information for all periods has been retrospectively revised to present our operating segment in Poland as a discontinued operation. Previously, our operations in Poland, together with our operations in Slovakia, were included in our former Central and Eastern Europe reportable segment. As a result of this change, our operations in Slovakia are now included in our “**Central and Other**” category (previously referred to as “*Central and Corporate*”), which primarily includes (i) our operations in Slovakia, (ii) certain centralized functions and (iii) intersegment eliminations, when applicable, for all periods presented.

We present only the reportable segments of our continuing operations in the tables below.

The UPC Holding Group
Notes to Condensed Combined Financial Statements — (Continued)
September 30, 2021
(unaudited)

Performance Measures of Our Reportable Segments

	Revenue			
	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
	in millions			
Switzerland	€ 704.4	€ 269.3	€ 2,087.4	€ 828.5
Central and Other	10.8	10.8	32.8	33.4
Total	€ 715.2	€ 280.1	€ 2,120.2	€ 861.9

	Segment Adjusted EBITDA			
	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
	in millions			
Switzerland	€ 280.6	€ 132.0	€ 761.8	€ 390.8
Central and Other	4.2	4.4	13.0	13.7
Total	€ 284.8	€ 136.4	€ 774.8	€ 404.5

The UPC Holding Group
Notes to Condensed Combined Financial Statements — (Continued)
September 30, 2021
(unaudited)

The following table provides a reconciliation of earnings (loss) from continuing operations to Segment Adjusted EBITDA:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
	in millions			
Earnings (loss) from continuing operations	€ 68.3	€ (114.0)	€ (86.6)	€ (166.5)
Income tax expense (benefit)	(25.1)	(8.9)	(43.9)	0.5
Other income, net	(8.2)	(7.5)	(16.3)	(16.2)
Losses on debt extinguishment, net	—	—	75.1	33.4
Foreign currency transaction losses (gains), net	(7.5)	(43.2)	188.4	(36.3)
Realized and unrealized losses (gains) on derivative instruments, net	(69.8)	145.5	(333.7)	106.5
Interest expense	62.3	34.6	191.3	112.6
Operating income (loss)	20.0	6.5	(25.7)	34.0
Impairment, restructuring and other operating items, net	(4.0)	(0.1)	31.8	11.1
Depreciation and amortization	223.7	65.9	633.5	199.2
Related-party fees and allocations, net	39.5	57.3	119.5	144.9
Share-based compensation expense	5.6	6.8	15.7	15.3
Segment Adjusted EBITDA	<u>€ 284.8</u>	<u>€ 136.4</u>	<u>€ 774.8</u>	<u>€ 404.5</u>

Property and Equipment Additions of our Reportable Segments

The property and equipment additions of our reportable segments (including capital additions financed under vendor financing or finance lease arrangements) are presented below and reconciled to the capital expenditure amounts included in our condensed combined statements of cash flows. For additional information concerning capital additions financed under vendor financing and finance lease arrangements, see notes 8 and 9, respectively.

	Nine months ended	
	September 30,	
	2021	2020
	in millions	
Switzerland	€ 345.0	€ 162.1
Central and Other	6.6	8.0
Total property and equipment additions	351.6	170.1
Assets acquired under capital-related vendor financing arrangements	(165.4)	(217.1)
Assets acquired under finance leases	(1.6)	(0.7)
Changes in current liabilities related to capital expenditures (including related-party amounts)	21.6	152.4
Total capital expenditures, net	<u>€ 206.2</u>	<u>€ 104.7</u>

The UPC Holding Group
Notes to Condensed Combined Financial Statements — (Continued)
September 30, 2021
(unaudited)

Revenue by Major Category

Our revenue by major category is set forth below:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
in millions				
Residential revenue:				
Residential fixed revenue (a):				
Subscription revenue (b):				
Broadband internet	€ 129.8	€ 74.8	€ 382.1	€ 227.9
Video	115.7	102.7	349.4	313.5
Fixed-line telephony	37.8	20.2	118.4	63.9
Total subscription revenue	283.3	197.7	849.9	605.3
Non-subscription revenue	13.1	13.2	47.5	49.2
Total residential fixed revenue	296.4	210.9	897.4	654.5
Residential mobile revenue (c):				
Subscription revenue (b)	213.8	19.6	600.6	55.6
Non-subscription revenue	78.5	7.6	241.5	22.4
Total residential mobile revenue	292.3	27.2	842.1	78.0
Total residential revenue	588.7	238.1	1,739.5	732.5
B2B revenue (d):				
Subscription revenue	30.1	5.9	86.4	17.9
Non-subscription revenue	91.4	35.7	276.3	109.3
Total B2B revenue	121.5	41.6	362.7	127.2
Other revenue	5.0	0.4	18.0	2.2
Total	€ 715.2	€ 280.1	€ 2,120.2	€ 861.9

- (a) Residential fixed subscription revenue includes amounts received from subscribers for ongoing services and the recognition of deferred installation revenue over the associated contract period. Residential fixed non-subscription revenue includes, among other items, channel carriage fees, late fees and revenue from the sale of equipment.
- (b) Residential subscription revenue from subscribers who purchase bundled services at a discounted rate is generally allocated proportionally to each service based on the standalone price for each individual service. As a result, changes in the standalone pricing of our fixed and mobile products or the composition of bundles can contribute to changes in our product revenue categories from period to period.
- (c) Residential mobile subscription revenue includes amounts received from subscribers for ongoing services. Residential mobile non-subscription revenue includes, among other items, interconnect revenue and revenue from sales of mobile handsets and other devices.
- (d) B2B subscription revenue represents revenue from (i) services provided to certain small or home office (SOHO) subscribers and (ii) mobile services provided to medium and large enterprises. SOHO subscribers pay a premium price to receive expanded service levels along with broadband internet, video, fixed-line telephony or mobile services that are the same or similar to the mass marketed products offered to our residential subscribers. B2B non-subscription revenue includes revenue from business broadband internet, video, fixed-line telephony and data services offered to medium to large enterprises and, on a wholesale basis, to other operators.

The UPC Holding Group
Notes to Condensed Combined Financial Statements — (Continued)
September 30, 2021
(unaudited)

Geographic Segments

The revenue of our geographic segments is set forth below:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
	in millions			
Switzerland	€ 704.4	€ 269.3	€ 2,087.4	€ 828.5
Slovakia	11.0	10.8	32.7	33.4
Other, including intersegment eliminations	(0.2)	—	0.1	—
Total	€ 715.2	€ 280.1	€ 2,120.2	€ 861.9

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis, which should be read in conjunction with our combined financial statements and the discussion and analysis included in our 2020 annual report, is intended to assist in providing an understanding of our financial condition, changes in financial condition and results of operations and is organized as follows:

- *Forward-looking Statements.* This section provides a description of certain factors that could cause actual results or events to differ materially from anticipated results or events.
- *Overview.* This section provides a general description of our business and recent events.
- *Material Changes in Results of Operations.* This section provides an analysis of our results of operations for the three and nine months ended September 30, 2021 and 2020.
- *Material Changes in Financial Condition.* This section provides an analysis of our liquidity, condensed combined statements of cash flows and contractual commitments.

The capitalized terms used below have been defined in the notes to our condensed combined financial statements. In the following text, the terms “we,” “our,” “our company” and “us” refer to the UPC Holding Group.

Unless otherwise indicated, convenience translations into euros are calculated as of September 30, 2021.

Forward-looking Statements

Certain statements in this quarterly report constitute forward-looking statements. To the extent that statements in this quarterly report are not recitations of historical fact, such statements constitute forward-looking statements, which, by definition, involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. In particular, statements under *Management's Discussion and Analysis of Financial Condition and Results of Operations* may contain forward-looking statements, including statements regarding our business, product, foreign currency and finance strategies, subscriber growth and retention rates, competitive, regulatory and economic factors, the timing and impacts of proposed transactions, the maturity of our markets, the potential impact of COVID-19 on our company, the anticipated impacts of new legislation (or changes to existing rules and regulations), anticipated changes in our revenue, costs or growth rates, our liquidity, credit risks, foreign currency risks, interest rate risks, target leverage levels, debt covenants, our future projected contractual commitments and cash flows and other information and statements that are not historical fact. Where, in any forward-looking statement, we express an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved or accomplished. In evaluating these statements, you should consider the risks and uncertainties discussed in our annual report, as well as the following list of some but not all of the factors that could cause actual results or events to differ materially from anticipated results or events:

- economic and business conditions and industry trends in the countries in which we operate;
- the competitive environment in the industries in the countries in which we operate, including competitor responses to our products and services;
- fluctuations in currency exchange rates and interest rates;
- instability in global financial markets, including sovereign debt issues and related fiscal reforms;
- consumer disposable income and spending levels, including the availability and amount of individual consumer debt;
- changes in consumer television viewing and broadband usage preferences and habits;
- consumer acceptance of our existing service offerings, including our broadband internet, television, fixed-line telephony, mobile and business service offerings, and of new technology, programming alternatives and other products and service offerings in the future;
- our ability to manage rapid technological changes;

- our ability to maintain or increase the number of subscriptions to our broadband internet, television, fixed-line telephony and mobile service offerings and our average revenue per household;
- our ability to provide satisfactory customer service, including support for new and evolving products and services;
- our ability to maintain or increase rates to our subscribers or to pass through increased costs to our subscribers;
- the impact of our future financial performance, or market conditions generally, on the availability, terms and deployment of capital;
- changes in, or failure or inability to comply with, government regulations in the countries in which we operate and adverse outcomes from regulatory proceedings;
- government intervention that requires opening our broadband distribution networks to competitors;
- our ability to obtain regulatory approval and satisfy other conditions necessary to close acquisitions and dispositions and the impact of conditions imposed by competition and other regulatory authorities in connection with acquisitions;
- our ability to successfully acquire new businesses and, if acquired, to integrate, realize anticipated efficiencies from, and implement our business plan with respect to, the businesses we have acquired or that we expect to acquire;
- changes in laws or treaties relating to taxation, or the interpretation thereof, in the countries in which we operate;
- changes in laws and government regulations that may impact the availability and cost of capital and the derivative instruments that hedge certain of our financial risks;
- the ability of suppliers and vendors (including our third-party wireless network providers under our MVNO arrangements) to timely deliver quality products, equipment, software, services and access;
- the availability of attractive programming for our video services and the costs associated with such programming, including retransmission and copyright fees payable to public and private broadcasters;
- uncertainties inherent in the development and integration of new business lines and business strategies;
- our ability to adequately forecast and plan future network requirements, including the costs and benefits associated with any planned network extension programs;
- the availability of capital for the acquisition and/or development of telecommunications networks and services;
- problems we may discover post-closing with the operations, including the internal controls and financial reporting process, of businesses we acquire;
- the leakage of sensitive customer data;
- the outcome of any pending or threatened litigation;
- the loss of key employees and the availability of qualified personnel;
- changes in the nature of key strategic relationships with partners and joint venturers; and
- events that are outside of our control, such as political unrest in international markets, terrorist attacks, malicious human acts, natural disasters, epidemics, pandemics (such as COVID-19) and other similar events.

The broadband distribution and mobile service industries are changing rapidly and, therefore, the forward-looking statements of expectations, plans and intent in this quarterly report are subject to a significant degree of risk. These forward-looking statements and the above-described risks, uncertainties and other factors speak only as of the date of this quarterly report, and 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 other change in events, conditions or circumstances on which any such statement is based. Readers are cautioned not to place undue reliance on any forward-looking statement.

Overview

General

We are an international provider of broadband internet, video, fixed-line telephony and mobile communications services to residential customers and businesses in Europe. Our operations comprise businesses that provide residential and B2B communications services in Switzerland and Slovakia.

In addition, we currently provide residential and B2B communications services in Poland. On September 22, 2021, Liberty Global and UPC Poland entered into an agreement to sell our operations in Poland. Accordingly, our operations in Poland are reflected as discontinued operations for all periods presented. In the following discussion and analysis, the operating statistics, results of operations, cash flows and financial condition that we present and discuss are those of our continuing operations unless otherwise indicated. For additional information regarding the pending sale of UPC Poland, including with respect to our current expectations on timing and use of proceeds, see note 4 to our condensed combined financial statements.

Operations

At September 30, 2021, our continuing operations owned and operated networks that passed 3,109,600 homes and served 1,666,500 fixed-line customers and 2,590,900 mobile subscribers.

Competition and Other External Factors

We are experiencing competition in all of the markets in which we operate. This competition, together with macroeconomic and regulatory factors, has adversely impacted our revenue, number of customers and/or average monthly subscription revenue per fixed-line customer or mobile subscriber, as applicable (**ARPU**). For additional information regarding the revenue impact of changes in fixed-line customers and ARPU of our reportable segments, see *Discussion and Analysis of our Reportable Segments* below.

The global COVID-19 pandemic continues to impact the economies of the countries in which we operate. However, during the third quarter of 2021, the impact on our company continued to be relatively minimal as demand for our products and services remained strong. It is not currently possible to estimate the duration and severity of the COVID-19 pandemic or the adverse economic impact resulting from the preventative measures taken to contain or mitigate its outbreak, therefore no assurance can be given that an extended period of global economic disruption would not have a material adverse impact on our business, financial condition and results of operations in future periods. For further information regarding the COVID-19 pandemic, see the discussion under *Part II. Management's Discussion and Analysis of Financial Condition and Results of Operations — Overview* included in our 2020 annual report. For additional information regarding the impact of COVID-19 on our results of operations for the nine months ended September 30, 2021, see *Discussion and Analysis of our Reportable Segments* below.

Material Changes in Results of Operations

The comparability of our operating results is affected by acquisitions. In the following discussion, we quantify the estimated impact of material acquisitions (the **Acquisition Impact**) on our operating results. The Acquisition Impact represents our estimate of the difference between the operating results of the periods under comparison that is attributable to an acquisition. In general, we base our estimate of the Acquisition Impact on an acquired entity's operating results during the first three to twelve months following the acquisition date, as adjusted to remove integration costs and any other material unusual or nonoperational items, such that changes from those operating results in subsequent periods are considered to be organic changes. Accordingly, in the following discussion, (i) organic variances attributed to an acquired entity during the first 12 months following the acquisition date represent differences between the Acquisition Impact and the actual results and (ii) the calculation of our organic change percentages includes the organic activity of an acquired entity relative to the Acquisition Impact of such entity.

Changes in foreign currency exchange rates have a significant impact on our reported operating results as most of our operating segments have functional currencies other than the euro. Our primary exposure to foreign exchange (**FX**) risk during the three months ended September 30, 2021 was to the Swiss franc, as 98.5% of our euro revenue during the period was derived from our combined entities whose functional currencies are those other than the euro. The portions of the changes in the various components of our results of operations that are attributable to changes in FX are highlighted under *Discussion and Analysis of our Reportable Segments* and *Discussion and Analysis of our Combined Operating Results* below. For information regarding

our foreign currency risks and the applicable foreign currency exchange rates in effect for the periods covered by this quarterly report, see *Material Changes in Financial Condition — Foreign Currency Risk* below.

Discussion and Analysis of our Reportable Segments

General

Our reportable segments derive their revenue primarily from residential and B2B communications services, including broadband internet, video, fixed-line telephony and mobile services. For detailed information regarding the composition of our reportable segments and how we define and categorize our revenue components, see note 13 to our condensed combined financial statements.

The tables presented below in this section provide the details of the revenue and Segment Adjusted EBITDA of our combined reportable segments for the three and nine months ended September 30, 2021 and 2020. These tables present (i) the amounts reported for the current and comparative periods, (ii) the reported euro and percentage change from period to period and (iii) the organic percentage change from period to period. For our organic comparisons, which exclude the impact of FX, we assume that exchange rates remained constant at the prior-year rate during all periods presented. We also provide a table showing the Segment Adjusted EBITDA margins of our combined reportable segments for the three and nine months ended September 30, 2021 and 2020 at the end of this section.

Combined Segment Adjusted EBITDA is a non-GAAP measure, which we believe 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 readily view operating trends from a combined view. Readers should view combined Segment Adjusted EBITDA as a supplement to, and not a substitute for, GAAP measures of performance included in our condensed combined statements of operations. The following table provides a reconciliation of earnings (loss) from continuing operations to Segment Adjusted EBITDA:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
	in millions			
Earnings (loss) from continuing operations	€ 68.3	€ (114.0)	€ (86.6)	€ (166.5)
Income tax expense (benefit)	(25.1)	(8.9)	(43.9)	0.5
Other income, net	(8.2)	(7.5)	(16.3)	(16.2)
Losses on debt extinguishment, net	—	—	75.1	33.4
Foreign currency transaction losses (gains), net	(7.5)	(43.2)	188.4	(36.3)
Realized and unrealized losses (gains) on derivative instruments, net	(69.8)	145.5	(333.7)	106.5
Interest expense	62.3	34.6	191.3	112.6
Operating income (loss)	20.0	6.5	(25.7)	34.0
Impairment, restructuring and other operating items, net	(4.0)	(0.1)	31.8	11.1
Depreciation and amortization	223.7	65.9	633.5	199.2
Related-party fees and allocations, net	39.5	57.3	119.5	144.9
Share-based compensation expense	5.6	6.8	15.7	15.3
Segment Adjusted EBITDA	€ 284.8	€ 136.4	€ 774.8	€ 404.5

Revenue of our Reportable Segments

General. While not specifically discussed in the below explanations of the changes in the revenue of our reportable segments, we are experiencing competition in all of our markets. This competition has an adverse impact on our ability to increase or maintain our total number of customers and/or our ARPU.

Variances in the subscription revenue that we receive from our customers are a function of (i) changes in the number of our fixed-line customers or mobile subscribers outstanding during the period and (ii) changes in ARPU. Changes in ARPU can be attributable to (a) changes in prices, (b) changes in bundling or promotional discounts, (c) changes in the tier of services selected, (d) variances in subscriber usage patterns and (e) the overall mix of fixed and mobile products within a segment during the period.

	Three months ended September 30,		Increase		Organic increase
	2021	2020	€	%	%
in millions, except percentages					
Switzerland	€ 704.4	€ 269.3	€ 435.1	161.6	0.2
Central and Other	10.8	10.8	—	—	—
Total	€ 715.2	€ 280.1	€ 435.1	155.3	0.2

	Nine months ended September 30,		Increase (decrease)		Organic decrease
	2021	2020	€	%	%
in millions, except percentages					
Switzerland	€ 2,087.4	€ 828.5	€ 1,258.9	151.9	(1.0)
Central and Other	32.8	33.4	(0.6)	(1.8)	(1.8)
Total	€ 2,120.2	€ 861.9	€ 1,258.3	146.0	(1.0)

Switzerland. The details of the increases in Switzerland's revenue during the three and nine months ended September 30, 2021, as compared to the corresponding periods in 2020, are set forth below:

	Three-month period			Nine-month period		
	Subscription revenue	Non-subscription revenue	Total	Subscription revenue	Non-subscription revenue	Total
in millions						
Increase (decrease) in residential fixed subscription revenue due to change in:						
Average number of customers	€ (7.8)	€ —	€ (7.8)	€ (31.0)	€ —	€ (31.0)
ARPU	(1.5)	—	(1.5)	1.8	—	1.8
Increase in residential fixed non-subscription revenue	—	0.8	0.8	—	2.3	2.3
Total increase (decrease) in residential fixed revenue	(9.3)	0.8	(8.5)	(29.2)	2.3	(26.9)
Increase (decrease) in residential mobile revenue (a)	22.2	(14.3)	7.9	33.5	(34.7)	(1.2)
Increase (decrease) in B2B revenue (b)	1.0	2.8	3.8	(0.1)	10.2	10.1
Decrease in other revenue	—	(1.6)	(1.6)	—	(3.1)	(3.1)
Total organic increase (decrease)	13.9	(12.3)	1.6	4.2	(25.3)	(21.1)
Impact of acquisitions	292.7	145.5	438.2	885.2	438.8	1,324.0
Impact of FX	(2.7)	(2.0)	(4.7)	(31.0)	(13.0)	(44.0)
Total	€ 303.9	€ 131.2	€ 435.1	€ 858.4	€ 400.5	€ 1,258.9

- (a) The increases in residential mobile subscription revenue are primarily due to increases in the average number of mobile subscribers. The decreases in residential mobile non-subscription revenue are largely attributable to decreases in (i) revenue from mobile handset sales and (ii) interconnect revenue.
- (b) The increases in B2B non-subscription revenue are primarily attributable to higher revenue from wholesale services.

Programming and Other Direct Costs of Services of our Reportable Segments

Programming and other direct costs of services include programming and copyright costs, interconnect and access costs, costs of mobile handsets and other devices and other direct costs related to our operations. Programming and copyright costs represent a significant portion of our operating costs and are subject to rise in future periods due to various factors, including (i) higher costs associated with the expansion of our digital video content, including rights associated with ancillary product offerings and rights that provide for the broadcast of live sporting events and (ii) rate increases.

The details of our programming and other direct costs of services are as follows:

	Three months ended September 30,		Increase		Organic increase (decrease)
	2021	2020	€	%	%
	in millions, except percentages				
Switzerland	€ 215.8	€ 54.6	€ 161.2	295.2	(3.4)
Central and Other	2.3	1.9	0.4	21.1	21.1
Total	€ 218.1	€ 56.5	€ 161.6	286.0	(3.2)

	Nine months ended September 30,		Increase		Organic increase (decrease)
	2021	2020	€	%	%
	in millions, except percentages				
Switzerland	€ 669.3	€ 182.5	€ 486.8	266.7	(2.0)
Central and Other	6.3	5.5	0.8	14.5	14.5
Total	€ 675.6	€ 188.0	€ 487.6	259.4	(1.8)

Our programming and other direct costs of services increased €161.6 million or 286.0% and €487.6 million or 259.4% during the three and nine months ended September 30, 2021, respectively, as compared to the corresponding periods in 2020. These increases include increases of €170.1 million and €514.6 million, respectively, attributable to the impact of the Sunrise Acquisition. On an organic basis, our programming and other direct costs of services decreased €7.3 million or 3.2% and €12.9 million or 1.8%, respectively. These decreases include the following factors:

- Decreases in mobile handset and other device costs of €10.8 million or 194.2% and €29.7 million or 178.8%, respectively, primarily due to lower sales volumes in Switzerland; and
- Increases in interconnect and access costs of €4.5 million or 18.9% and €14.0 million or 20.2%, respectively, primarily due to changes in Switzerland, including the net effect of (i) higher leased tower costs, (ii) lower MVNO costs and (iii) lower interconnect and mobile roaming costs. Across all of our markets, interconnect and mobile roaming costs have been impacted by changes in usage per subscriber associated with factors such as lower travel and the use of WiFi alternatives during the COVID-19 pandemic.

Other Operating Expenses of our Reportable Segments

Other operating expenses include network operations, customer operations, customer care and other costs related to our operations.

The details of our other operating expenses are as follows:

	Three months ended September 30,		Increase		Organic decrease
	2021	2020	€	%	%
in millions, except percentages					
Switzerland	€ 86.3	€ 39.1	€ 47.2	120.7	(1.4)
Central and Other	2.4	2.4	—	—	—
Total	€ 88.7	€ 41.5	€ 47.2	113.7	(1.2)

	Nine months ended September 30,		Increase (decrease)		Organic decrease
	2021	2020	€	%	%
in millions, except percentages					
Switzerland	€ 262.5	€ 122.6	€ 139.9	114.1	(0.9)
Central and Other	7.0	7.6	(0.6)	(7.9)	(7.9)
Total	€ 269.5	€ 130.2	€ 139.3	107.0	(1.0)

Our other operating expenses increased €47.2 million or 113.7% and €139.3 million or 107.0% during the three and nine months ended September 30, 2021, respectively, as compared to the corresponding periods in 2020. These increases include increases of €49.4 million and €148.3 million, respectively, attributable to the impact of the Sunrise Acquisition. On an organic basis, our other operating expenses decreased €1.1 million or 1.2% and €2.9 million or 1.0%, respectively.

SG&A Expenses of our Reportable Segments

SG&A expenses include human resources, information technology, general services, management, finance, legal, external sales and marketing costs, share-based compensation and other general expenses. We do not include share-based compensation in the following discussion and analysis of the SG&A expenses of our reportable segments as share-based compensation expense is not included in the performance measures of our reportable segments.

The details of our SG&A expenses are as follows:

	Three months ended September 30,		Increase (decrease)		Organic decrease
	2021	2020	€	%	%
in millions, except percentages					
Switzerland	€ 121.7	€ 43.6	€ 78.1	179.1	(6.5)
Central and Other	1.9	2.1	(0.2)	(9.5)	(9.5)
Total SG&A expenses excluding share-based compensation expense	123.6	45.7	77.9	170.5	(6.5)
Share-based compensation expense	5.6	6.8	(1.2)	N.M.	
Total	€ 129.2	€ 52.5	€ 76.7	146.1	

	Nine months ended September 30,		Increase (decrease)		Organic increase (decrease)
	2021	2020	€	%	%
in millions, except percentages					
Switzerland	€ 393.8	€ 132.6	€ 261.2	197.0	1.4
Central and Other	6.5	6.6	(0.1)	(1.5)	(1.5)
Total SG&A expenses excluding share-based compensation expense	400.3	139.2	261.1	187.6	1.4
Share-based compensation expense	15.7	15.3	0.4	N.M.	
Total	€ 416.0	€ 154.5	€ 261.5	169.3	

N.M. — Not Meaningful.

Our SG&A expenses (exclusive of share-based compensation expense) increased €77.9 million or 170.5% and €261.1 million or 187.6% during the three and nine months ended September 30, 2021, respectively, as compared to the corresponding periods in 2020. These increases include increases of €87.3 million and €263.8 million, respectively, attributable to the impact of the Sunrise Acquisition. On an organic basis, our SG&A expenses increased (decreased) (€8.7 million) or (6.5%) and €5.6 million or 1.4%, respectively. These changes include the following factors:

- Decreases in external sales and marketing costs of €9.3 million or 91.0% and €11.5 million or 38.3%, respectively, primarily due to lower costs in Switzerland associated with (i) advertising campaigns and (ii) third-party sales commissions; and
- Increases in core network and information technology-related costs of €2.8 million or 76.2% and €7.8 million or 63.7%, respectively, primarily due to higher information technology-related expenses in Switzerland.

Segment Adjusted EBITDA of our Reportable Segments

Segment Adjusted EBITDA is the primary measure used by our chief operating decision maker to evaluate segment operating performance. As presented below, combined Segment Adjusted EBITDA is a non-GAAP measure which readers should view as a supplement to, and not a substitute for, GAAP measures of performance included in our condensed combined statements of operations. The following tables set forth the Segment Adjusted EBITDA of our reportable segments:

	Three months ended		Increase (decrease)		Organic
	September 30,				increase
	2021	2020	€	%	(decrease)
in millions, except percentages					
Switzerland	€ 280.6	€ 132.0	€ 148.6	112.6	7.2
Central and Other	4.2	4.4	(0.2)	(4.5)	(4.5)
Total	€ 284.8	€ 136.4	€ 148.4	108.8	7.0

	Nine months ended		Increase (decrease)		Organic
	September 30,				decrease
	2021	2020	€	%	%
in millions, except percentages					
Switzerland	€ 761.8	€ 390.8	€ 371.0	94.9	(1.4)
Central and Other	13.0	13.7	(0.7)	(5.1)	(5.1)
Total	€ 774.8	€ 404.5	€ 370.3	91.5	(1.4)

Segment Adjusted EBITDA Margin

The following table sets forth the Segment Adjusted EBITDA margins (Segment Adjusted EBITDA divided by revenue) of each of our reportable segments:

	Three months ended		Nine months ended	
	September 30,		September 30,	
	2021	2020	2021	2020
%				
Switzerland	39.8	49.0	36.5	47.2
Central and Other	38.9	40.7	39.6	41.0

In addition to organic changes in the revenue, operating and SG&A expenses of our reportable segments, the Segment Adjusted EBITDA margins presented above are impacted by acquisitions, as applicable. In this regard, the Sunrise Acquisition had a significant adverse impact on the Segment Adjusted EBITDA margin in Switzerland, as the acquired Sunrise mobile business generates a relatively lower Segment Adjusted EBITDA margin than our legacy operations in Switzerland. For discussion of the factors contributing to the changes in the Segment Adjusted EBITDA margins of our reportable segments, see the above analyses of the revenue and expenses of our reportable segments.

Discussion and Analysis of our Combined Operating Results

General

For more detailed explanations of the changes in our revenue, see *Discussion and Analysis of our Reportable Segments* above.

Revenue

Our revenue by major category is set forth below:

	Three months ended September 30,		Increase (decrease)		Organic increase (decrease)
	2021	2020	€	%	%
in millions, except percentages					
Residential revenue:					
Residential fixed revenue (a):					
Subscription revenue (b):					
Broadband internet	€ 129.8	€ 74.8	€ 55.0	73.5	2.2
Video	115.7	102.7	13.0	12.7	(5.8)
Fixed-line telephony	37.8	20.2	17.6	87.1	(11.7)
Total subscription revenue	283.3	197.7	85.6	43.3	(3.2)
Non-subscription revenue	13.1	13.2	(0.1)	(0.8)	7.4
Total residential fixed revenue	296.4	210.9	85.5	40.5	(2.7)
Residential mobile revenue (c):					
Subscription revenue (b)	213.8	19.6	194.2	990.8	11.5
Non-subscription revenue	78.5	7.6	70.9	932.9	(15.2)
Total residential mobile revenue	292.3	27.2	265.1	974.6	2.8
Total residential revenue	588.7	238.1	350.6	147.2	(0.1)
B2B revenue (d):					
Subscription revenue	30.1	5.9	24.2	410.2	3.8
Non-subscription revenue	91.4	35.7	55.7	156.0	2.7
Total B2B revenue	121.5	41.6	79.9	192.1	3.0
Other revenue	5.0	0.4	4.6	1,150.0	(28.8)
Total	€ 715.2	€ 280.1	€ 435.1	155.3	0.2

	Nine months ended September 30,		Increase (decrease)		Organic increase (decrease)
	2021	2020	€	%	%
in millions, except percentages					
Residential revenue:					
Residential fixed revenue (a):					
Subscription revenue (b):					
Broadband internet	€ 382.1	€ 227.9	€ 154.2	67.7	0.4
Video	349.4	313.5	35.9	11.5	(5.2)
Fixed-line telephony	118.4	63.9	54.5	85.3	(8.8)
Total subscription revenue	849.9	605.3	244.6	40.4	(3.3)
Non-subscription revenue	47.5	49.2	(1.7)	(3.5)	5.2
Total residential fixed revenue	897.4	654.5	242.9	37.1	(2.9)
Residential mobile revenue (c):					
Subscription revenue (b)	600.6	55.6	545.0	980.2	5.8
Non-subscription revenue	241.5	22.4	219.1	978.1	(12.3)
Total residential mobile revenue	842.1	78.0	764.1	979.6	(0.1)
Total residential revenue	1,739.5	732.5	1,007.0	137.5	(1.6)
B2B revenue (d):					
Subscription revenue	86.4	17.9	68.5	382.7	(0.1)
Non-subscription revenue	276.3	109.3	167.0	152.8	3.7
Total B2B revenue	362.7	127.2	235.5	185.1	2.8
Other revenue	18.0	2.2	15.8	718.2	(17.2)
Total	€ 2,120.2	€ 861.9	€ 1,258.3	146.0	(1.0)

- (a) Residential fixed subscription revenue includes amounts received from subscribers for ongoing services and the recognition of deferred installation revenue over the associated contract period. Residential fixed non-subscription revenue includes, among other items, channel carriage fees, late fees and revenue from the sale of equipment.
- (b) Residential subscription revenue from subscribers who purchase bundled services at a discounted rate is generally allocated proportionally to each service based on the standalone price for each individual service. As a result, changes in the standalone pricing of our fixed and mobile products or the composition of bundles can contribute to changes in our product revenue categories from period to period.
- (c) Residential mobile subscription revenue includes amounts received from subscribers for ongoing services. Residential mobile non-subscription revenue includes, among other items, interconnect revenue and revenue from sales of mobile handsets and other devices. Residential mobile interconnect revenue was €14.7 million and €2.2 million during the three months ended September 30, 2021 and 2020, respectively, and €47.2 million and €6.9 million during the nine months ended September 30, 2021 and 2020, respectively.
- (d) B2B subscription revenue represents revenue from (i) services provided to SOHO subscribers and (ii) mobile services provided to medium and large enterprises. SOHO subscribers pay a premium price to receive expanded service levels along with broadband internet, video, fixed-line telephony or mobile services that are the same or similar to the mass marketed products offered to our residential subscribers. A portion of the increase in our B2B subscription revenue is attributable to the conversion of certain residential subscribers to SOHO subscribers. B2B non-subscription revenue includes revenue from business broadband internet, video, fixed-line telephony and data services offered to medium to large enterprises and, on a wholesale basis, to other operators.

Total revenue. Our combined revenue increased €435.1 million or 155.3% and €1,258.3 million or 146.0% during the three and nine months ended September 30, 2021, respectively, as compared to the corresponding periods in 2020. These increases include increases of €438.2 million and €1,324.0 million, respectively, attributable to the impact of the Sunrise Acquisition. On an organic basis, our combined revenue increased (decreased) €1.6 million or 0.2% and (€21.7 million) or (1.0%), respectively.

Residential revenue. The details of the increases in our combined residential revenue during the three and nine months ended September 30, 2021, as compared to the corresponding periods in 2020, are as follows:

	Three-month period	Nine-month period
	in millions	
Decrease in residential fixed subscription revenue due to change in:		
Average number of customers.....	€ (7.3)	€ (28.3)
ARPU	(2.0)	(1.2)
Increase in residential fixed non-subscription revenue	0.9	2.4
Total decrease in residential fixed revenue	(8.4)	(27.1)
Increase in residential mobile subscription revenue	22.2	33.5
Decrease in residential mobile non-subscription revenue	(14.3)	(34.7)
Total organic decrease in residential revenue	(0.5)	(28.3)
Impact of acquisitions	354.9	1,071.0
Impact of FX	(3.8)	(35.7)
Total increase in residential revenue	<u>€ 350.6</u>	<u>€ 1,007.0</u>

On an organic basis, our combined residential fixed subscription revenue decreased €9.3 million or 3.2% and €29.5 million or 3.3% during the three and nine months ended September 30, 2021, respectively, as compared to the corresponding periods in 2020.

On an organic basis, our combined residential fixed non-subscription revenue increased €0.9 million or 7.4% and €2.4 million or 5.2% during the three and nine months ended September 30, 2021, respectively, as compared to the corresponding periods in 2020.

On an organic basis, our combined residential mobile subscription revenue increased €22.2 million or 11.5% and €33.5 million or 5.8% during the three and nine months ended September 30, 2021, respectively, as compared to the corresponding periods in 2020.

On an organic basis, our combined residential mobile non-subscription revenue decreased €14.3 million or 15.2% and €34.7 million or 12.3% during the three and nine months ended September 30, 2021, respectively, as compared to the corresponding periods in 2020.

B2B revenue. On an organic basis, our combined B2B subscription revenue increased (decreased) €1.1 million or 3.8% and (€0.1 million) (0.1%) during the three and nine months ended September 30, 2021, respectively, as compared to the corresponding periods in 2020.

On an organic basis, our combined B2B non-subscription revenue increased €2.5 million or 2.7% and €10.1 million or 3.7% during the three and nine months ended September 30, 2021, respectively, as compared to the corresponding periods in 2020.

For additional information concerning the changes in our residential and B2B revenue, see *Discussion and Analysis of our Reportable Segments* above.

Programming and other direct costs of services

Our programming and other direct costs of services increased €161.6 million or 286.0% and €487.6 million or 259.4% during the three and nine months ended September 30, 2021, respectively, as compared to the corresponding periods in 2020. On an organic basis, our programming and other direct costs of services decreased €7.3 million or 3.2% and €12.9 million or 1.8%, respectively. For additional information regarding the changes in our programming and other direct costs of services, see *Discussion and Analysis of our Reportable Segments — Programming and Other Direct Costs of Services of our Reportable Segments* above.

Other operating expenses

Our other operating expenses increased €47.2 million or 113.7% and €139.3 million or 107.0% during the three and nine months ended September 30, 2021, respectively, as compared to the corresponding periods in 2020. On an organic basis, our other operating expenses decreased €1.1 million or 1.2% and €2.9 million or 1.0%, respectively.

SG&A expenses

Our SG&A expenses increased €76.7 million or 146.1% and €261.5 million or 169.3% during the three and nine months ended September 30, 2021, respectively, as compared to the corresponding periods in 2020. Our SG&A expenses include share-based compensation expense, which increased (decreased) (€1.2 million) and €0.4 million, respectively. Excluding share-based compensation, on an organic basis our SG&A expenses increased (decreased) (€8.7 million) or (6.5%) and €5.6 million or 1.4%, respectively. For additional information regarding the changes in our SG&A expenses, see *Discussion and Analysis of our Reportable Segments — SG&A Expenses of our Reportable Segments* above.

Related-party fees and allocations, net

We recorded related-party fees and allocations, net, related to our estimated share of the applicable costs incurred by Liberty Global subsidiaries of €39.5 million and €57.3 million during the three months ended September 30, 2021 and 2020, respectively, and €119.5 million and €144.9 million during the nine months ended September 30, 2021 and 2020, respectively. These charges generally relate to management, finance, legal and other corporate and administrative services provided to or by our combined entities. For additional information, see notes 11 and 13 to our condensed combined financial statements.

Depreciation and amortization expense

Our depreciation and amortization expense was €223.7 million and €65.9 million for the three months ended September 30, 2021 and 2020, respectively, and €633.5 million and €199.2 million for the nine months ended September 30, 2021 and 2020, respectively. Excluding the effects of FX, depreciation and amortization expense increased €158.6 million or 240.8% and €448.1 million or 224.9%, respectively, primarily due to changes in Switzerland, including the net effect of (i) increases of €150.3 million and €435.5 million, respectively, as a result of the Sunrise Acquisition, (ii) increases associated with property and equipment additions related to the installation of customer premises equipment, the expansion and upgrade of our networks and other capital initiatives and (iii) decreases associated with certain assets becoming fully depreciated.

Impairment, restructuring and other operating items, net

We recognized impairment, restructuring and other operating items, net, of (€4.0 million) and (€0.1 million) during the three months ended September 30, 2021 and 2020, respectively, and €31.8 million and €11.1 million during the nine months ended September 30, 2021 and 2020, respectively. These amounts are primarily related to employee severance and termination costs related to certain reorganization activities in Switzerland.

Interest expense

Our interest expense increased €27.7 million and €78.7 million during the three and nine months ended September 30, 2021, respectively, as compared to the corresponding periods in 2020. These increases include increases of €26.5 million and €73.2 million, respectively, related to third-party interest expense, primarily attributable to higher average outstanding debt balances. For additional information regarding our outstanding indebtedness, see note 8 to our condensed combined financial statements.

It is possible that the interest rates on (i) any new borrowings could be higher than the current interest rates on our existing indebtedness and (ii) our variable-rate indebtedness could increase in future periods. As further discussed in note 5 to our condensed combined financial statements, we use derivative instruments to manage our interest rate risks.

In July 2017, the U.K. Financial Conduct Authority (the authority that regulates LIBOR) announced that it intends to stop compelling banks to submit rates for the calculation of LIBOR after 2021. Additionally, the European Money Markets Institute (the authority that administers EURIBOR) has announced that measures will need to be undertaken by the end of 2021 to reform EURIBOR to ensure compliance with E.U. Benchmarks Regulation. In November 2020, ICE Benchmark administration (the entity that administers LIBOR) announced its intention to continue publishing USD LIBOR rates until June 30, 2023, with the exception of the one-week and two-month rates which, along with all GBP LIBOR rates, it intends to cease publishing after December 31, 2021. While this extension allows additional runway on existing contracts using USD LIBOR rates, companies are still encouraged to transition away from using USD LIBOR as soon as practicable and should not enter into new contracts that use USD LIBOR after 2021. The methodology for EURIBOR has been reformed and EURIBOR has been granted regulatory approval to continue to be used. Currently, it is not possible to predict the exact transitional arrangements for calculating applicable reference rates that may be made in the U.K., the U.S., the Eurozone or elsewhere given that a number of outcomes are possible, including the cessation of the publication of one or more reference rates.

In October 2020, the International Swaps and Derivatives Association (the **ISDA**) launched a new supplement (the Fallback Supplement), which effective January 25, 2021, amends the standard definitions for interest rate derivatives to incorporate fallbacks for derivatives linked to certain key interbank offered rates (**IBORs**). The ISDA also launched a new protocol (the Fallback Protocol), also effective January 25, 2021, that enables market participants to incorporate these revisions into their legacy non-cleared derivatives with other counterparties that choose to adhere to the protocol. The fallbacks for a particular currency will apply following a permanent cessation of the IBOR in that currency and will be adjusted versions of the risk-free rates identified in each currency. Our loan documents contain provisions that contemplate alternative calculations of the base rate applicable to our LIBOR-indexed and EURIBOR-indexed debt to the extent LIBOR or EURIBOR (as applicable) are not available, which alternative calculations we do not anticipate will be materially different from what would have been calculated under LIBOR or EURIBOR (as applicable). Additionally, no mandatory prepayment or redemption provisions would be triggered under our loan documents in the event that either the LIBOR rate or the EURIBOR rate is not available. It is possible, however, that any new reference rate that applies to our LIBOR-indexed or EURIBOR-indexed debt could be different than any new reference rate that applies to our LIBOR-indexed or EURIBOR-indexed derivative instruments. We anticipate managing this difference and any resulting increased variable-rate exposure through modifications to our debt and/or derivative instruments, however future market conditions may not allow immediate implementation of desired modifications and the company may incur significant associated costs.

Realized and unrealized gains (losses) on derivative instruments, net

Our realized and unrealized gains or losses on derivative instruments include (i) unrealized changes in the fair values of our derivative instruments that are non-cash in nature until such time as the derivative contracts are fully or partially settled and (ii) realized gains or losses upon the full or partial settlement of the derivative contracts. The details of our realized and unrealized gains (losses) on derivative instruments, net, are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
	in millions			
Cross-currency and interest rate derivative contracts (a)	€ 70.5	€ (126.2)	€ 332.4	€ (92.4)
Foreign currency forward and option contracts	(0.7)	(19.3)	1.3	(14.1)
Total	<u>€ 69.8</u>	<u>€ (145.5)</u>	<u>€ 333.7</u>	<u>€ (106.5)</u>

- (a) The results for the 2021 periods are attributable to net gains associated with changes in (i) the relative value of certain currencies and (ii) certain market interest rates. In addition, the results for the 2021 periods include net losses of €11.8 million and €21.7 million, respectively, resulting from changes in our credit risk valuation adjustments. The results for the 2020 periods are attributable to the net effect of (a) a net loss for the three-month period and a net gain for the nine-month period associated with changes in certain market interest rates and (b) a net gain for the three-month period and a net loss for the nine-month period associated with changes in the relative value of certain currencies. In addition, the results for the 2020 periods include net gains of €54.7 million and €73.3 million, respectively, resulting from changes in our credit risk valuation adjustments.

For additional information regarding our derivative instruments, see notes 5 and 6 to our condensed combined financial statements.

Foreign currency transaction gains (losses), net

Our foreign currency transaction gains or losses primarily result from the remeasurement of monetary assets and liabilities that are denominated in currencies other than the underlying functional currency of the applicable entity. Unrealized foreign currency transaction gains or losses are computed based on period-end exchange rates and are non-cash in nature until such time as the amounts are settled. The details of our foreign currency transaction gains (losses), net, are as follows:

	Three months ended September 30,		Nine months ended September 30,	
	2021	2020	2021	2020
	in millions			
U.S. dollar-denominated debt issued by euro functional currency entities	€ (89.5)	€ 21.9	€ (156.8)	€ 42.8
Intercompany payables and receivables denominated in a currency other than the entity's functional currency (a)	96.0	21.8	(27.8)	(6.2)
Cash and restricted cash denominated in a currency other than the entity's functional currency	0.8	(0.6)	(1.4)	(0.9)
Other	0.2	0.1	(2.4)	0.6
Total	<u>€ 7.5</u>	<u>€ 43.2</u>	<u>€ (188.4)</u>	<u>€ 36.3</u>

- (a) Amounts primarily relate to (i) loans between certain of our non-operating and operating entities, which generally are denominated in the currency of the applicable operating entity, and (ii) loans between certain of our non-operating entities.

Losses on debt extinguishment, net

We recognized net losses on debt extinguishment of €75.1 million and €33.4 million during the nine months ended September 30, 2021 and 2020, respectively.

The loss during the nine months ended September 30, 2021 is attributable to (i) the write-off of €64.3 million of unamortized deferred financing costs and discounts and (ii) the payment of €10.8 million of redemption premiums, all of which occurred during the second quarter.

The loss during the nine months ended September 30, 2020 is primarily attributable to (i) the payment of €28.1 million of redemption premiums and (ii) the write-off of €4.4 million of unamortized deferred financing costs and discounts, all of which occurred during the first quarter.

For additional information concerning our losses on debt extinguishment, see note 8 to our condensed combined financial statements.

Income tax benefit (expense)

We recognized income tax benefit of €25.1 million and €8.9 million during the three months ended September 30, 2021 and 2020, respectively.

The income tax benefit for the three months ended September 30, 2021 differs from the expected income tax expense of €10.8 million (based on the Dutch 25.0% income tax rate) primarily due to net positive impact of (i) a decrease in valuation allowances and (ii) certain permanent differences between the financial and tax accounting treatment of items associated with investments in subsidiaries.

The income tax benefit for the three months ended September 30, 2020 differs from the expected income tax benefit of €30.7 million (based on the Dutch 25.0% income tax rate) primarily due to the net negative impact of an increase in valuation allowances. The net negative impact of this item is partially offset by the net positive impact of certain permanent differences between the financial and tax accounting treatment of interest and other items.

We recognized income tax benefit (expense) of €43.9 million and (€0.5 million) during the nine months ended September 30, 2021 and 2020, respectively.

The income tax benefit for the nine months ended September 30, 2021 differs from the expected income tax benefit of €32.6 million (based on the Dutch 25.0% income tax rate) primarily due to the net positive impact of a decrease in valuation allowances. The net positive impact of this item is partially offset by the net negative impact of statutory tax rates in certain jurisdictions in which we operate that differ from the Dutch income tax rate.

The income tax expense for the nine months ended September 30, 2020 differs from the expected income tax benefit of €41.5 million (based on the Dutch 25.0% income tax rate) primarily due to the net negative impact of an increase in valuation allowances.

For additional information concerning our income taxes, see note 10 to our condensed combined financial statements.

Earnings (loss) from continuing operations

During the three months ended September 30, 2021 and 2020, we reported earnings (loss) from continuing operations of €68.3 million and (€114.0 million), respectively, consisting of (i) operating income of €20.0 million and €6.5 million, respectively, (ii) net non-operating income (expense) of €23.2 million and (€129.4 million), respectively, and (iii) income tax benefit of €25.1 million and €8.9 million, respectively.

During the nine months ended September 30, 2021 and 2020, we reported losses from continuing operations of €86.6 million and €166.5 million, respectively, consisting of (i) operating income (loss) of (€25.7 million) and €34.0 million, respectively, (ii) net non-operating expense of €104.8 million and €200.0 million, respectively, and (iii) income tax benefit (expense) of €43.9 million and (€0.5 million), respectively.

Gains or losses associated with (i) changes in the fair values of derivative instruments and (ii) movements in foreign currency exchange rates are subject to a high degree of volatility and, as such, any gains from these sources do not represent a

reliable source of income. In the absence of significant gains in the future from these sources or from other non-operating items, our ability to achieve earnings is largely dependent on our ability to increase our aggregate operating income to a level that more than offsets the aggregate amount of our (a) interest expense, (b) other non-operating expenses and (c) income tax expense.

Subject to the limitations included in our various debt instruments, we expect that Liberty Global will cause our company to maintain our debt at current levels relative to our Covenant EBITDA. As a result, we expect that we will continue to report significant levels of interest expense for the foreseeable future. For information concerning our expectations with respect to trends that may affect certain aspects of our operating results in future periods, see the discussion under *Overview* above. For information concerning the reasons for changes in specific line items in our condensed combined statements of operations, see the discussion under *Discussion and Analysis of our Reportable Segments* and *Discussion and Analysis of our Combined Operating Results* above.

Earnings (loss) from discontinued operations, net of taxes

We reported earnings (loss) from discontinued operations, net of taxes, of (€9.3 million) and (€2.0 million) during the three months ended September 30, 2021 and 2020, respectively, and €1.5 million and (€7.7 million) during the nine months ended September 30, 2021 and 2020, respectively, related to the results of UPC Poland. For additional information, see note 4 to our condensed combined financial statements.

Material Changes in Financial Condition

Sources and Uses of Cash

The UPC Holding Group's primary assets are its investments in its combined entities, and the majority of our operating entities are owned by UPC Broadband Holding B.V. (**UPC Broadband Holding**). Although our combined operating entities generate cash from operating activities, the terms of the instruments governing the indebtedness of UPC Broadband Holding may restrict our ability to access the liquidity of these entities. These entities accounted for substantially all of our €35.3 million of combined cash and cash equivalents at September 30, 2021. In addition, our ability to access the liquidity of these and other combined entities may be limited by tax and legal considerations, the presence of noncontrolling interests and other factors.

Corporate Liquidity of the UPC Holding Group

As the UPC Holding Group typically does not hold significant amounts of cash and cash equivalents at the corporate level, the UPC Holding Group's primary source of corporate liquidity is proceeds received from UPC Broadband Holding (and indirectly from UPC Broadband Holding's combined entities) in the form of loans or distributions. As noted above, various factors may limit the ability of the UPC Holding Group's combined entities to loan or distribute cash. From time to time, the UPC Holding Group may also supplement its sources of corporate liquidity with net proceeds received in connection with the issuance of debt instruments and/or loans or contributions from LGE Financing (and ultimately Liberty Global and other Liberty Global subsidiaries). No assurance can be given that any external funding would be available on favorable terms, or at all.

The UPC Holding Group's corporate liquidity requirements include (i) corporate general and administrative expenses and (ii) interest payments on the UPC Holding Senior Notes. From time to time, UPC Holding may also require cash in connection with (a) the repayment of third-party and related-party debt (including the repurchase or exchange of outstanding debt securities in the open market or privately-negotiated transactions and net repayments to LGE Financing pursuant to the Shareholder Loan, as described in note 11 to our condensed combined financial statements), (b) the funding of loans or distributions to LGE Financing (and ultimately Liberty Global and other Liberty Global subsidiaries), (c) the satisfaction of contingent liabilities, (d) acquisitions, (e) other investment opportunities or (f) income tax payments.

Liquidity of Combined Operating Entities

In addition to cash and cash equivalents, the primary source of liquidity of our combined operating entities is cash provided by operations and, in the case of UPC Broadband Holding, borrowing availability under the UPC Holding Bank Facility. For the details of the borrowing availability under the UPC Holding Bank Facility at September 30, 2021, see note 8 to our condensed combined financial statements. Our combined operating entities' liquidity is generally used to fund (i) property and equipment additions, (ii) debt service requirements and (iii) payments required by the UPC Holding Group's derivative instruments, as well as to settle certain obligations that are not included on our September 30, 2021 condensed combined

balance sheet. In this regard, we have significant commitments related to (a) programming studio output and sports rights contracts, (b) certain operating costs associated with our networks and (c) purchase obligations associated with customer premises equipment and certain service-related commitments. These obligations are expected to represent a significant liquidity requirement of our combined operating entities, the majority of which is due over the next 12 to 24 months. For additional information regarding our commitments, see note 12 to our condensed combined financial statements.

From time to time, our combined operating entities may also require liquidity in connection with (i) acquisitions and other investment opportunities, (ii) loans to UPC Holding or other Liberty Global subsidiaries, (iii) capital distributions to UPC Holding or (iv) the satisfaction of contingent liabilities. No assurance can be given that any external funding would be available to our combined operating entities on favorable terms, or at all.

For additional information regarding our combined cash flows, see the discussion under *Condensed Combined Statements of Cash Flows* below.

Capitalization

When it is cost effective, we generally seek to match the denomination of the borrowings of our combined entities with the functional currency of the operations that are supporting the respective borrowings. As further discussed in note 5 to our condensed combined financial statements, we also use derivative instruments to mitigate foreign currency and interest rate risk associated with our debt instruments.

Our ability to service or refinance our debt and to maintain compliance with the leverage covenants in the credit agreements and indentures of the UPC Holding Group is dependent primarily on our ability to maintain or increase the Covenant EBITDA of our operating entities and to achieve adequate returns on our property and equipment additions and acquisitions. In addition, our ability to obtain additional debt financing is limited by the incurrence-based leverage covenants contained in the UPC Holding Group's debt instruments. For example, if our Covenant EBITDA were to decline, our ability to obtain additional debt could be limited. At September 30, 2021, the UPC Holding Group was in compliance with its respective debt covenants. In addition, we do not anticipate any instances of non-compliance with respect to any of our debt covenants that would have a material adverse impact on our liquidity during the next 12 months.

At September 30, 2021, the outstanding principal amount of our combined third-party debt, together with our finance lease obligations, aggregated €6,637.5 million, including €360.4 million that is classified as current on our condensed combined balance sheet and €6,270.2 million that is not due until 2027 or thereafter.

Notwithstanding our negative working capital position at September 30, 2021, we believe we have sufficient resources to repay or refinance the current portion of our debt and finance lease obligations and to fund our foreseeable liquidity requirements during the next 12 months. However, as our maturing debt grows in later years, we anticipate we will seek to refinance or otherwise extend our debt maturities. No assurance can be given that we will be able to complete these refinancing transactions or otherwise extend our debt maturities. In this regard, it is not possible to predict how political and economic conditions (including with respect to the COVID-19 pandemic), sovereign debt concerns or any adverse regulatory developments could impact the credit markets we access and, accordingly, our future liquidity and financial position. Our ability to access debt financing on favorable terms, or at all, could be adversely impacted by (i) the financial failure of any of our counterparties, which could (a) reduce amounts available under committed credit facilities and (b) adversely impact our ability to access cash deposited with any failed financial institution and (ii) tightening of the credit markets. In addition, sustained or increased competition, particularly in combination with adverse economic or regulatory developments, could have an unfavorable impact on our cash flows and liquidity.

With the exception of the UPC Holding Senior Notes, all of our third-party debt and finance lease obligations had been borrowed or incurred by our combined entities at September 30, 2021.

For additional information regarding our debt and finance lease obligations, see notes 8 and 9, respectively, to our condensed combined financial statements.

Condensed Combined Statements of Cash Flows

General. Our cash flows are subject to significant variations due to FX.

Summary. Our condensed combined statements of cash flows of our continuing operations for the nine months ended September 30, 2021 and 2020 are summarized as follows:

	Nine months ended September 30,		Change
	2021	2020	
	in millions		
Net cash provided by operating activities	€ 566.2	€ 288.0	€ 278.2
Net cash used by investing activities	(258.9)	(175.0)	(83.9)
Net cash used by financing activities	(312.3)	(105.9)	(206.4)
Effect of exchange rate changes on cash and cash equivalents and restricted cash	0.9	(0.5)	1.4
Net increase (decrease) in cash and cash equivalents and restricted cash	<u>€ (4.1)</u>	<u>€ 6.6</u>	<u>€ (10.7)</u>

Operating Activities. The increase in net cash provided by our operating activities is primarily attributable to the net effect of (i) an increase in cash provided by our Segment Adjusted EBITDA and related working capital items, (ii) a decrease in cash provided due to higher payments for third-party interest, (iii) a decrease in cash provided due to higher payments for taxes and (iv) a decrease in cash provided due to higher payments related to derivative instruments. Combined Segment Adjusted EBITDA is a non-GAAP measure which readers should view as a supplement to, and not a substitute for, GAAP measures of performance included in our condensed combined statements of operations.

Investing Activities. The increase in net cash used by our investing activities is primarily attributable to the net effect of (i) an increase in cash used of €101.5 million due to higher capital expenditures, (ii) an increase in cash used of €55.3 million related to the Sunrise Acquisition and (iii) a decrease in cash used of €43.3 million due to lower advances to related parties.

The capital expenditures we report in our condensed combined statements of cash flows do not include (i) amounts that are financed under capital-related vendor financing or finance lease arrangements or (ii) purchased assets transferred to our company by another entity under the common control of Liberty Global in exchange for non-cash increases to the Shareholder Loan or non-cash decreases to the LGEF Receivable or non-cash contributions from our parent entities (non-cash related-party capital additions). Instead, these amounts are reflected as non-cash additions to our property and equipment when the underlying assets are delivered, and, in the case of capital-related vendor financing and finance lease arrangements and non-cash related-party capital additions that are settled through increases to the Shareholder Loan, as repayments of debt when the principal is repaid. In this discussion, we refer to (a) our capital expenditures as reported in our condensed combined statements of cash flows, which exclude non-cash related-party capital additions and amounts financed under capital-related vendor financing or finance lease arrangements, and (b) our total property and equipment additions, which include our capital expenditures on an accrual basis, non-cash related-party capital additions and amounts financed under capital-related vendor financing or finance lease arrangements. For additional information, see notes 7, 8 and 9 to our condensed combined financial statements. For further details regarding our property and equipment additions, see note 13 to our condensed combined financial statements.

A reconciliation of our combined property and equipment additions to our combined capital expenditures, as reported in our condensed combined statements of cash flows, is set forth below:

	Nine months ended September 30,	
	2021	2020
in millions		
Property and equipment additions (a)	€ 351.6	€ 170.1
Assets acquired under capital-related vendor financing arrangements	(165.4)	(217.1)
Assets acquired under finance leases	(1.6)	(0.7)
Changes in current liabilities related to capital expenditures (including related-party amounts)	21.6	152.4
Total capital expenditures, net	€ 206.2	€ 104.7

- (a) The increase in our property and equipment additions during the nine months ended September 30, 2021, as compared to the corresponding period in 2020, is primarily attributable to the net effect of (i) an increase related to the Sunrise Acquisition, (ii) a decrease due to FX and (iii) a decrease in local currency expenditures of our combined entities, primarily due to the net effect of (a) an increase in baseline expenditures, including network improvements and expenditures for property and facilities and information technology systems, (b) a decrease in expenditures for new build and upgrade projects and (c) a decrease in expenditures for the purchase and installation of customer premises equipment.

Financing Activities. The increase in net cash used by our financing activities is primarily attributable to the net effect of (i) an increase in cash used of €212.0 million due to higher net repayments of related-party debt, (ii) an increase in cash used of €76.5 million due to higher net repayments of third-party debt and finance lease obligations and (iii) a decrease in cash used of €61.9 million due to higher cash receipts related to derivative instruments.

Projected Cash Flows Associated with Derivative Instruments

The following table provides information regarding the projected cash flows associated with our derivative instruments. The euro equivalents presented below are based on interest rate projections and exchange rates as of September 30, 2021. These amounts are presented for illustrative purposes only and will likely differ from the actual cash payments or receipts required in future periods. For additional information regarding our derivative instruments, see note 5 to our condensed combined financial statements.

	Payments (receipts) due during:							Total
	Remainder of 2021	2022	2023	2024	2025	2026	Thereafter	
in millions								
Projected derivative cash payments (receipts), net:								
Interest-related (a)	€ (19.0)	€ 36.0	€ (7.0)	€ (28.3)	€ (43.0)	€ (47.6)	€ (155.0)	€ (263.9)
Principal-related (b)	—	—	53.4	(1.2)	(3.7)	(35.5)	(71.9)	(58.9)
Other (c)	(0.3)	0.2	—	—	—	—	—	(0.1)
Total	€ (19.3)	€ 36.2	€ 46.4	€ (29.5)	€ (46.7)	€ (83.1)	€ (226.9)	€ (322.9)

- (a) Includes (i) the cash flows of our interest rate cap, floor and swap contracts and (ii) the interest-related cash flows of our cross-currency and interest rate swap contracts.
- (b) Includes the principal-related cash flows of our cross-currency swap contracts.
- (c) Includes amounts related to our foreign currency forward contracts.

Foreign Currency Risk

We are exposed to foreign currency exchange rate risk with respect to our combined debt in situations where our debt is denominated in U.S. dollars. For information regarding our use of derivative instruments to manage our foreign currency exchange rate risk, see note 5 to our condensed combined financial statements.

The relationships between the primary currencies of the countries in which we operate and the euro, which is our reporting currency, are shown below, per one euro:

	<u>September 30,</u> <u>2021</u>	<u>December 31,</u> <u>2020</u>		
Spot rates:				
Swiss franc	1.0807	1.0821		
Polish zloty	4.6092	4.5678		
	<u>Three months ended</u> <u>September 30,</u>		<u>Nine months ended</u> <u>September 30,</u>	
	<u>2021</u>	<u>2020</u>	<u>2021</u>	<u>2020</u>
Average rates:				
Swiss franc	1.0824	1.0754	1.0903	1.0678
Polish zloty	4.5658	4.4413	4.5460	4.4230