



VMIE GROUP HOLDINGS LIMITED

**Consolidated Financial Statements
December 31, 2021**

VMIE GROUP HOLDINGS LIMITED
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Independent Auditors' Report

The Board of Directors
The VMIE Group Holdings Limited:

Report on the Audit of the Consolidated Non-Statutory Financial Statements of VMIE Group Holdings Limited Consolidated Non-Statutory Financial Statements of VMIE Group Holdings Limited

Opinion

We have audited the consolidated non-statutory financial statements of VMIE Group Holdings Limited and its subsidiaries (the Company), which comprise the Consolidated Balance Sheet as of December 31, 2021, and the related Consolidated Statements of Operations and Other Comprehensive Earnings, Consolidated Statement of Owners' Deficit, and Consolidated Statement of Cash Flows for the year then ended, and the related notes to the consolidated non-statutory financial statements.

In our opinion, the accompanying consolidated non-statutory financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021, and the results of its operations and its cash flows for the year then ended in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audit in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditor's Responsibilities for the Audit of the Consolidated Non-Statutory Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audit. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Non-Statutory Financial Statements

Management is responsible for the preparation and fair presentation of the consolidated non-statutory financial statements in accordance with U.S. generally accepted accounting principles, and for the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of consolidated non-statutory financial statements that are free from material misstatement, whether due to fraud or error.



In preparing the consolidated non-statutory financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the consolidated non-statutory financial statements are available to be issued.

Auditor's Responsibilities for the Audit of the Consolidated Non-Statutory Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated non-statutory financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditor's report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated non-statutory financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated non-statutory financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated non-statutory financial statements.
- Obtain an understanding of internal control relevant to the audit in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control. Accordingly, no such opinion is expressed.
- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated non-statutory financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control - related matters that we identified during the audit.

Dublin, Ireland
May 26, 2022

VMIE GROUP HOLDINGS LIMITED
CONSOLIDATED BALANCE SHEET

	December 31, 2021
	in millions
ASSETS	
Current assets:	
Cash and cash equivalents	€ 0.4
Trade receivables, net (note 10)	45.1
Other current assets (notes 5 and 10)	28.7
Total current assets	74.2
Property and equipment, net (note 6)	436.7
Goodwill (note 6)	242.3
Related-party note receivable (note 10)	58.2
Other assets, net (notes 5, 6 and 8)	34.8
Total assets	€ 846.2
LIABILITIES AND OWNER'S DEFICIT	
Current liabilities:	
Accounts payable (note 10)	€ 33.0
Deferred revenue (notes 4 and 10)	13.2
Accrued capital expenditures	11.8
Other current liabilities (notes 5, 8 and 10)	100.7
Total current liabilities	158.7
Long-term debt obligations (notes 7 and 10)	893.8
Other long-term liabilities (notes 8, 9 and 10)	19.5
Total liabilities	1,072.0
Commitments and contingencies (notes 5, 7, 8, 9, 11 and 12)	
Owner's deficit	(225.8)
Total liabilities and owner's deficit	€ 846.2

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

VMIE GROUP HOLDINGS LIMITED
CONSOLIDATED STATEMENTS OF OPERATIONS AND OTHER COMPREHENSIVE EARNINGS

	<u>Year ended</u> <u>December 31, 2021</u> in millions
Revenue (notes 4 and 13)	€ 465.3
Operating costs and expenses (exclusive of depreciation and amortization, shown separately below):	
Programming and other direct costs of services (note 10)	133.3
Other operating (note 10)	79.9
Selling, general and administrative (note 10)	72.3
Related-party fees and allocations, net (note 10)	45.7
Depreciation and amortization (note 6)	67.4
Impairment, restructuring and other operating items, net	9.5
	<u>408.1</u>
Operating income	<u>57.2</u>
Non-operating income (expense):	
Interest expense (note 10)	(33.9)
Realized and unrealized gains on derivative instruments, net (note 5)	10.2
Other income, net	0.2
	<u>(23.5)</u>
Earnings before income taxes	33.7
Income tax expense (note 9)	(0.6)
Net earnings	<u>33.1</u>
Other comprehensive earnings — pension-related adjustments and other, net of taxes	4.6
Comprehensive earnings	<u>€ 37.7</u>

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

VMIE GROUP HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF OWNER'S DEFICIT

	Distributions and accumulated losses in excess of contributions	Accumulated other comprehensive losses, net of taxes	Total owner's deficit
	in millions		
Balance at January 1, 2021	(261.7)	(9.9)	(271.6)
Net earnings	33.1	—	33.1
Other comprehensive earnings, net of taxes	—	4.6	4.6
Share-based compensation (note 10)	2.8	—	2.8
Capital charge in connection with technology-related services (note 10)	(2.7)	—	(2.7)
Other	8.0	—	8.0
Balance at December 31, 2021	<u>€ (220.5)</u>	<u>€ (5.3)</u>	<u>€ (225.8)</u>

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

VMIE GROUP HOLDINGS LIMITED
CONSOLIDATED STATEMENT OF CASH FLOWS

Year ended
December 31, 2021
in millions

Cash flows from operating activities:	
Net earnings	€ 33.1
Adjustments to reconcile net earnings to net cash provided by operating activities:	
Share-based compensation expense	5.2
Related-party fees and allocations, net	45.7
Depreciation and amortization	67.4
Impairment, restructuring and other operating items, net	9.5
Realized and unrealized gains on derivative instruments, net	(10.2)
Foreign currency transaction losses, net	0.4
Non-cash interest on related-party loan	15.8
Changes in operating assets and liabilities	1.9
Net cash provided by operating activities	<u>168.8</u>
Net cash used by investing activities - capital expenditures, net	<u>(64.6)</u>
Cash flows from financing activities:	
Net repayments of related-party debt	(912.2)
Borrowings of third-party debt	903.5
Repayments and repurchases of third-party debt	(19.7)
Advances to related-parties	(7.5)
Payment of financing costs and debt premiums	(6.6)
Other financing activities, net	(76.7)
Net cash used by financing activities	<u>(119.2)</u>
Effect of exchange rate changes on cash and cash equivalents	0.1
Net decrease in cash and cash equivalents	(14.9)
Cash and cash equivalents:	
Beginning of period	15.3
End of period	<u>€ 0.4</u>
Cash paid for interest	<u>€ 0.4</u>

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

VMIE GROUP HOLDINGS LIMITED
Notes to Consolidated Financial Statements
December 31, 2021

(1) Basis of Presentation

VMIE Group Holdings Limited (**VM Ireland**) is a wholly-owned subsidiary of Liberty Global plc (**Liberty Global**). VM Ireland provides broadband internet, video, fixed-line telephony, mobile and broadcasting services to consumers and businesses in Ireland. In these notes, the terms “we,” “our,” “our company” and “us” may refer, as the context requires, to VM Ireland or collectively to VM Ireland and its subsidiaries.

These consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (**GAAP**). Unless otherwise indicated, convenience translations into euros are calculated as of December 31, 2021.

These consolidated financial statements reflect our consideration of the accounting and disclosure implications of subsequent events through May 26, 2022, the date of issuance.

(2) Accounting Changes and Recent Accounting Pronouncements

Accounting Changes

ASU 2019-12

In December 2019, the Financial Accounting Standards Board (the **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 consolidated financial statements.

Recent Accounting Pronouncements

ASU 2021-08

In October 2021, the FASB issued ASU No. 2021-08, *Accounting for Contract Assets and Contract Liabilities from Contracts with Customers (ASU 2021-08)*, which requires contract assets and contract liabilities acquired in a business combination to be recognized and measured in accordance with Topic 606, *Revenue from Contracts with Customers*, as if the acquirer had originated the contracts. ASU 2021-08 is effective for annual reporting periods beginning after December 15, 2022, including interim periods within those fiscal years, with early adoption permitted. The main impact of the adoption of ASU 2021-08 will be the recognition of contract assets and contract liabilities in future business combinations at amounts generally consistent with the carrying value of such assets and liabilities of the acquiree immediately before the acquisition date.

ASU 2020-04

In April 2020, the FASB issued ASU No. 2020-04, *Facilitation of the Effects of Reference Rate Reform on Financial Reporting (ASU 2020-04)*, which provides optional expedients and exceptions for contract modifications, subject to meeting certain criteria, that reference the London Interbank Offered Rate (**LIBOR**) or another reference rate expected to be discontinued. In accordance with the optional expedients in ASU 2020-04, we expect to modify certain of our debt agreements during 2022 to replace LIBOR with another reference rate and apply the practical expedient to account for the modification as a continuation of the existing contract. We currently do not believe the use of optional expedients in ASU 2020-04 will have a significant impact on our consolidated financial statements.

For additional information regarding our debt, see note 7.

VMIE GROUP HOLDINGS LIMITED
Notes to Consolidated Financial Statements — (Continued)
December 31, 2021

(3) Summary of Significant Accounting Policies

Estimates

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 doubtful 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, useful lives of long-lived assets, share-based compensation and actuarial liabilities associated with certain benefit plans. Actual results could differ from those estimates.

Principles of Consolidation

The accompanying consolidated financial statements include our accounts and the accounts of all voting interest entities where we or Liberty Global exercise a controlling financial interest through the ownership of a direct or indirect controlling voting interest and variable interest entities for which our company is the primary beneficiary. All significant intercompany accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

Cash equivalents consist of money market funds and other investments that are readily convertible into cash and have maturities of three months or less at the time of acquisition. We record money market funds at the net asset value as there are no restrictions on our ability, contractual or otherwise, to redeem our investments at the stated net asset value.

Our significant non-cash investing and financing activities are disclosed in our consolidated statement of owner's deficit and in notes 5, 6, 7, 8 and 10.

Cash Flow Statement

For the purpose of determining the classification of cash flows in our statement of cash flows, payments on related-party loans are first applied to principal (included as cash flows from financing activities) and then to capitalized interest (included as cash flows from operating activities). Interest-bearing cash advances to related parties and repayments thereof are classified as investing activities. Receipts on related-party receivables are first applied to principal (included as cash flows from investing activities) and then to capitalized interest (included as cash flows from operating activities). All other related-party borrowings, advances and repayments are reflected as financing activities.

For purposes of our consolidated statement of cash flows, operating-related expenses financed by an intermediary are treated as constructive operating cash outflows and constructive financing cash inflows when the intermediary settles the liability with the vendor as there is no actual cash outflow until we pay the financing intermediary. When we pay the financing intermediary, we record financing cash outflows in our consolidated statement of cash flows. The capital expenditures we report in our consolidated statement of cash flows do not include amounts that are financed under capital-related vendor financing arrangements. Instead, these amounts are reflected as non-cash additions to our property and equipment when the underlying assets are delivered, and as repayments of debt when the principal is repaid.

Trade Receivables

Our trade receivables are reported net of an allowance for doubtful accounts. Such allowance aggregated €5.6 million at December 31, 2021. The allowance for doubtful accounts is based upon our current estimate of lifetime expected credit losses related to uncollectible accounts receivable. We use a number of factors in determining the allowance, including, among other things, collection trends, prevailing and anticipated economic conditions and specific customer credit risk. The allowance is maintained until either payment is received or the likelihood of collection is considered to be remote.

VMIE GROUP HOLDINGS LIMITED
Notes to Consolidated Financial Statements — (Continued)
December 31, 2021

Concentration of credit risk with respect to trade receivables is limited due to the large number of residential and business customers. We also manage this risk by disconnecting services to customers whose accounts are delinquent.

Financial Instruments

Due to the short maturities of cash and cash equivalents, short-term liquid investments, trade and other receivables, other current assets, accounts payable and other accrued and current liabilities, their respective carrying values approximate their respective fair values. For information concerning the fair values of certain of our derivatives and debt, see notes 5 and 7, respectively.

Derivative Instruments

All derivative instruments are recorded on the balance sheet at fair value. As we do not apply hedge accounting to any of our derivative instruments changes in the fair value of derivative instruments are recognized in earnings or loss.

The net cash received or paid related to our derivative instruments is classified as an operating, investing or financing activity in our consolidated statement of cash flows based on the objective of the derivative instrument and the classification of the applicable underlying cash flows.

For additional information regarding our derivative instruments, see note 5.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. We capitalize costs associated with the construction of new fixed and mobile transmission and distribution facilities and the installation of new fixed-line services. Capitalized construction and installation costs include materials, labor and other directly attributable costs. Installation activities that are capitalized include (i) the initial connection (or drop) from our fixed-line system to a customer location, (ii) the replacement of a drop and (iii) the installation of equipment for additional services, such as broadband internet or fixed-line services. The costs of other customer-facing activities, such as reconnecting and disconnecting customer locations and repairing or maintaining drops, are expensed as incurred. Interest capitalized with respect to construction activities was not material during any of the periods presented.

Capitalized internal-use software is included as a component of property and equipment. We capitalize internal and external costs directly associated with the development of internal-use software. We also capitalize costs associated with the purchase of software licenses. Maintenance and training costs, as well as costs incurred during the preliminary stage of an internal-use software development project, are expensed as incurred.

Depreciation is computed using the straight-line method over the estimated useful life of the underlying asset. Useful lives used to depreciate our property and equipment are assessed periodically and are adjusted when warranted. The useful lives of fixed and mobile distribution systems that are undergoing a rebuild are adjusted such that property and equipment to be retired will be fully depreciated by the time the rebuild is completed. For additional information regarding the useful lives of our property and equipment, see note 6.

Additions, replacements and improvements that extend the asset life are capitalized. Repairs and maintenance are charged to operations.

We recognize a liability for asset retirement obligations in the period in which it is incurred if sufficient information is available to make a reasonable estimate of fair values. Asset retirement obligations may arise from the loss of rights of way that we obtain from local municipalities or other relevant authorities, as well as our obligations under certain lease arrangements to restore the property to its original condition at the end of the lease term. Given the nature of our operations, most of our rights of way and certain leased premises are considered integral to our business. Accordingly, for most of our rights of way and certain lease agreements, the possibility is remote that we will incur significant removal costs in the foreseeable future and, as such, we do not have sufficient information to make a reasonable estimate of fair value for these asset retirement obligations.

As of December 31, 2021, the recorded value of our asset retirement obligations was €3.6 million.

VMIE GROUP HOLDINGS LIMITED
Notes to Consolidated Financial Statements — (Continued)
December 31, 2021

Intangible Assets

Our primary intangible assets relate to goodwill and customer relationships. Goodwill represents the excess purchase price over the fair value of the identifiable net assets acquired in a business combination. Customer relationships are initially recorded at their fair value in connection with business combinations.

Goodwill is not amortized, but instead is tested for impairment at least annually. Intangible assets with finite lives are amortized on a straight-line basis over their respective estimated useful lives to their estimated residual values.

For additional information regarding the useful lives of our intangible assets, see note 6.

Impairment of Property and Equipment and Intangible Assets

When circumstances warrant, we review the carrying amounts of our property and equipment and our intangible assets (other than goodwill) to determine whether such carrying amounts continue to be recoverable. Such changes in circumstance may include (i) an expectation of a sale or disposal of a long-lived asset or asset group, (ii) adverse changes in market or competitive conditions, (iii) an adverse change in legal factors or business climate in the markets in which we operate and (iv) operating or cash flow losses. For purposes of impairment testing, long-lived assets are grouped at the lowest level for which cash flows are largely independent of other assets and liabilities, generally at or below the reporting unit level (see below). If the carrying amount of the asset or asset group is greater than the expected undiscounted cash flows to be generated by such asset or asset group, an impairment adjustment is recognized. Such adjustment is measured by the amount that the carrying value of such asset or asset group exceeds its fair value. We generally measure fair value by considering (a) sale prices for similar assets, (b) discounted estimated future cash flows using an appropriate discount rate and/or (c) estimated replacement cost. Assets to be disposed of are recorded at the lower of their carrying amount or fair value less costs to sell.

We evaluate goodwill for impairment at least annually on October 1 and whenever facts and circumstances indicate that the carrying amount may not be recoverable. For impairment evaluations we first make a qualitative assessment to determine if the goodwill may be impaired. If it is more-likely-than-not that a reporting unit's fair value is less than its carrying value, we then compare the fair value of the reporting unit to its respective carrying amount. Any excess of the carrying amount over the fair value would be charged to operations as an impairment loss. A reporting unit is an operating segment or one level below an operating segment (referred to as a "component").

Leases

For leases with a term greater than 12 months, we recognize on the lease commencement date (i) right-of-use (**ROU**) assets representing our right to use an underlying asset and (ii) lease liabilities representing our obligation to make lease payments over the lease term. Lease and non-lease components in a contract are generally accounted for separately.

We initially measure lease liabilities at the present value of the remaining lease payments over the lease term. Options to extend or terminate the lease are included only when it is reasonably certain that we will exercise that option. As most of our leases do not provide enough information to determine an implicit interest rate, we generally use a portfolio level incremental borrowing rate in our present value calculation. We initially measure ROU assets at the value of the lease liability, plus any initial direct costs and prepaid lease payments, less any lease incentives received.

Operating lease expense is recognized on a straight-line basis over the lease term. For leases with a term of 12 months or less (short-term leases), we do not recognize **ROU** assets or lease liabilities. Short-term lease expense is recognized on a straight-line basis over the lease term.

VMIE GROUP HOLDINGS LIMITED
Notes to Consolidated Financial Statements — (Continued)
December 31, 2021

Income Taxes

Income taxes are accounted for under the asset and liability method. We recognize deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts and income tax basis of assets and liabilities and the expected benefits of utilizing net operating loss and tax credit carryforwards, using enacted tax rates in effect for each taxing jurisdiction in which we operate for the year in which those temporary differences are expected to be recovered or settled. We recognize the financial statement effects of a tax position when it is more-likely-than-not, based on technical merits, that the position will be sustained upon examination. Net deferred tax assets are then reduced by a valuation allowance if we believe it is more-likely-than-not such net deferred tax assets will not be realized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings or loss in the period that includes the enactment date. Deferred tax liabilities related to investments in foreign subsidiaries and foreign corporate joint ventures that are essentially permanent in duration are not recognized until it becomes apparent that such amounts will reverse in the foreseeable future. In order to be considered essentially permanent in duration, sufficient evidence must indicate that the foreign subsidiary has invested or will invest its undistributed earnings indefinitely, or that earnings will be remitted in a tax-free manner. Interest and penalties related to income tax liabilities are included in income tax benefit or expense in our consolidated statement of operations.

For additional information regarding our income taxes, see note 9.

Foreign Currency Translation and Transactions

The reporting currency of our company is the euro. Transactions denominated in currencies other than our or our subsidiaries' functional currencies are recorded based on exchange rates at the time such transactions arise. Changes in exchange rates with respect to amounts recorded on our consolidated balance sheet related to these non-functional currency transactions result in transaction gains and losses that are reflected in our consolidated statement of operations as unrealized (based on the applicable period end exchange rates) or realized upon settlement of the transactions.

Revenue Recognition

Service Revenue — Fixed Networks. We recognize revenue from the provision of broadband internet, video and fixed-line telephony services over our network to customers in the period the related services are provided, with the exception of revenue recognized pursuant to certain contracts that contain promotional discounts, as described below. Installation fees related to services provided over our network are generally deferred and recognized as revenue over the contractual period, or longer if the upfront fee results in a material renewal right.

Sale of Multiple Products and Services. We sell broadband internet, video, fixed-line telephony and, in some of our markets, mobile services to our customers in bundled packages at a rate lower than if the customer purchased each product on a standalone basis. Revenue from bundled packages generally is allocated proportionally to the individual products or services based on the relative standalone selling price for each respective product or service.

Mobile Revenue — General. Consideration from mobile contracts is allocated to the airtime service component and the handset component based on the relative standalone selling prices of each component. In markets where we offer handsets and airtime services in separate contracts entered into at the same time, we account for these contracts as a single contract.

Mobile Revenue — Airtime Services. We recognize revenue from mobile services in the period in which the related services are provided. Revenue from prepaid customers is deferred prior to the commencement of services and recognized as the services are rendered or usage rights expire.

Mobile Revenue — Handset Revenue. Revenue from the sale of handsets is recognized at the point in which the goods have been transferred to the customer. Some of our mobile handset contracts that permit the customer to take control of the handset upfront and pay for the handset in installments over a contractual period may contain a significant financing component. For contracts with terms of one year or more, we recognize any significant financing component as revenue over the contractual period using the effective interest method. We do not record the effect of a significant financing component if the contractual period is less than one year.

VMIE GROUP HOLDINGS LIMITED
Notes to Consolidated Financial Statements — (Continued)
December 31, 2021

B2B Revenue. We defer upfront installation and certain nonrecurring fees received on business-to-business (**B2B**) contracts where we maintain ownership of the installed equipment. The deferred fees are amortized into revenue on a straight-line basis, generally over the longer of the term of the arrangement or the expected period of performance.

Broadcasting Revenue. Revenue from the sale of airtime broadcast, which includes program sponsorship and promotional activities, is recognized in the period in which the related airtime is provided.

Contract Costs. Incremental costs to obtain a contract with a customer, such as incremental sales commissions, are generally recognized as assets and amortized to SG&A expenses over the applicable period benefited, which generally is the contract life. If, however, the amortization period is less than one year, we expense such costs in the period incurred.

Promotional Discounts. For subscriber promotions, such as discounted or free services during an introductory period, revenue is recognized uniformly over the contractual period if the contract has substantive termination penalties. If a contract does not have substantive termination penalties, revenue is recognized only to the extent of the discounted monthly fees charged to the subscriber, if any.

Subscriber Advance Payments. Payments received in advance for the services we provide are deferred and recognized as revenue when the associated services are provided.

Sales, Use and Other Value-Added Taxes. Revenue is recorded net of applicable sales, use and other value-added taxes (**VAT**).

For additional information regarding our revenue recognition and related costs, see note 4. For a disaggregation of our revenue by major category and by reportable segment, see note 13.

Programming Costs

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 consolidated 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 consolidated 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 consolidated 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.

For additional information regarding our programming costs, see note 12.

Share-based Compensation

We recognize all share-based payments from Liberty Global to our employees, including grants of employee share-based incentive awards, based on their grant-date fair values and Liberty Global's estimates of forfeitures. We recognize share-based compensation expense as a charge to operations over the vesting period based on the grant-date fair value of outstanding awards, which may differ from the fair value of such awards on any given date.

We use the straight-line method to recognize share-based compensation expense for Liberty Global's outstanding share awards to our employees that do not contain a performance condition and the accelerated expense attribution method for our outstanding share awards that contain a performance condition and vest on a graded basis.

The grant date fair values for options, share appreciation rights (**SARs**) and performance-based share appreciation rights (**PSARs**) are estimated using the Black-Scholes option pricing model, and the grant-date fair values for restricted share units (**RSUs**) and performance-based restricted share units (**PSUs**) are based upon the closing share price of Liberty Global ordinary shares on the date of grant. Liberty Global considers historical exercise trends in its calculation of the expected life of options and SARs granted by Liberty Global to employees based on historical exercise trends. The expected volatility for options and SARs related to Liberty Global ordinary shares is generally based on a combination of (i) historical volatilities for a period equal to the expected average life of the awards and (ii) volatilities implied from publicly-traded options for Liberty Global ordinary shares.

Litigation Costs

Legal fees and related litigation costs are expensed as incurred.

(4) Revenue Recognition and Related Costs

Contract Balances

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 balance was €13.2 million as of December 31, 2021. During 2021 we recognized €12.7 million of revenue that was included in our deferred revenue balance at December 31, 2020. The long-term portion of our deferred revenue balances is included within other long-term liabilities on our consolidated balance sheet.

Contract Costs

Our aggregate assets associated with incremental costs to obtain and fulfill our contracts was €1.9 million at December 31, 2021. 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 consolidated balance sheet.

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.

(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. In this regard, we have entered into various derivative instruments to manage interest rate exposure and foreign currency exposure, primarily with respect to the euro (€) and British pound sterling (£). 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 consolidated statement of operations.

VMIE GROUP HOLDINGS LIMITED
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The following table provides details of the fair values of our derivative instrument assets and liabilities as of December 31, 2021 (in millions):

	<u>Current</u>	<u>Long-term</u>	<u>Total</u>
Assets (a):			
Cross-currency and interest rate derivative contracts (b)	€ 1.1	€ 12.1	€ 13.2
Foreign currency forward contracts	0.1	—	0.1
Total	<u>€ 1.2</u>	<u>€ 12.1</u>	<u>€ 13.3</u>
Liabilities (a):			
Cross-currency and interest rate derivative contracts (b)	<u>€ 3.8</u>	<u>€ —</u>	<u>€ 3.8</u>

- (a) Our current derivative assets, current derivative liabilities and long-term derivative assets are included in other current assets, other current liabilities and other assets, net, respectively, on our consolidated balance sheet.
- (b) 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 a net gain of €0.1 million during 2021, which is included in realized and unrealized gains on derivative instruments, net, in our consolidated statement of operations.

The details of our realized and unrealized gains on derivative instruments, net, during 2021 are as follows (in millions):

Cross-currency and interest rate derivative contracts	€ 10.0
Foreign currency forward contracts	0.2
Total	<u>€ 10.2</u>

The net cash received or paid related to our derivative instruments is classified as an operating, investing or financing activity in our consolidated statement 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 outflows of our derivative instruments during 2021 (in millions):

Operating activities	€ 0.7
Financing activities	(1.0)
Total	<u>€ (0.3)</u>

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 December 31, 2021, our exposure to counterparty credit risk included derivative assets with an aggregate fair value of €8.3 million.

We have entered into derivative instruments under master agreements with each counterparty that contain master netting arrangements that are applicable in the event of early termination by either party to such derivative instrument. The master netting arrangements are limited to the derivative instruments governed by the relevant master agreement and are independent of similar agreements.

Under our derivative contracts, it is generally only the non-defaulting party that has a contractual option to exercise early termination rights upon the default of the other counterparty and to set off other liabilities against sums due upon such

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termination. However, in an insolvency of a derivative counterparty, under the laws of certain jurisdictions, the defaulting counterparty or its insolvency representatives may be able to compel the termination of one or more derivative contracts and trigger early termination payment liabilities payable by us, reflecting any mark-to-market value of the contracts for the counterparty. Alternatively, or in addition, the insolvency laws of certain jurisdictions may require the mandatory set off of amounts due under such derivative contracts against present and future liabilities owed to us under other contracts between us and the relevant counterparty. Accordingly, it is possible that we may be subject to obligations to make payments, or may have present or future liabilities owed to us partially or fully discharged by set off as a result of such obligations, in the event of the insolvency of a derivative counterparty, even though it is the counterparty that is in default and not us. To the extent that we are required to make such payments, our ability to do so will depend on our liquidity and capital resources at the time. In an insolvency of a defaulting counterparty, we will be an unsecured creditor in respect of any amount owed to us by the defaulting counterparty, except to the extent of the value of any collateral we have obtained from that counterparty.

In addition, where a counterparty is in financial difficulty, under the laws of certain jurisdictions, the relevant regulators may be able to (i) compel the termination of one or more derivative instruments, determine the settlement amount and/or compel, without any payment, the partial or full discharge of liabilities arising from such early termination that are payable by the relevant counterparty, or (ii) transfer the derivative instruments to an alternative counterparty.

Interest Rate Caps and Floors

From time to time, we enter into interest rate cap and floor agreements. Purchased interest rate caps lock in a maximum interest rate if variable rates rise, but also allow our company to benefit 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 December 31, 2021, we had no interest rate floor agreements, and the total notional amounts of our purchase interest rate caps were €900.0 million.

Impact of Derivative Instruments on Borrowing Costs

The impact of the derivative instruments that mitigate our foreign currency and interest rate risk, as described above, was an increase of 42 basis points to our borrowing costs as of December 31, 2021.

Foreign Currency Forwards

We enter into foreign currency forward contracts with respect to non-functional currency exposure. As of December 31, 2021, the total notional amount of our foreign currency forward contracts was €4.9 million.

(6) Long-lived Assets

Property and Equipment, Net

The details of our property and equipment and the related accumulated depreciation as of December 31, 2021 are set forth below (in millions):

	Estimated useful life at December 31, 2021		
Distribution systems	3 to 30 years	€	721.6
Customer premises equipment	5 years		139.9
Support equipment, buildings and land	5 to 25 years		100.2
Total property and equipment, gross			961.7
Accumulated depreciation			(525.0)
Total property and equipment, net		€	<u>436.7</u>

Depreciation expense related to our property and equipment was €66.7 million during 2021.

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During 2021, we recorded a non-cash increase to our property and equipment related to vendor financing arrangements of €11.5 million, which exclude related VAT of €0.5 million that was also financed under these arrangements.

Goodwill

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.

Intangible Assets Subject to Amortization, Net

The details of our intangible assets subject to amortization, which are included in other assets, net, on our consolidated balance sheet as of December 31, 2021, are set forth below (in millions):

	Estimated useful life at December 31, 2021	Gross carrying amount	Accumulated amortization	Net carrying amount
Customer relationships	3 years	€ 5.2	€ (3.4)	€ 1.8

During 2021, amortization expense related to intangible assets with finite useful lives was €0.7 million. Based on our amortizable intangible asset balances at December 31, 2021, we expect that amortization expense will be as follows for the next three years (in millions):

2022	€ 0.7
2023	0.7
2024	0.4
Total	€ 1.8

(7) Debt

The components of our third-party debt as of December 31, 2021 are as follows (in millions):

	Interest rate (a)	Unused borrowing capacity (b)	Principal amount
Total third-party debt before deferred financing costs and discounts (c)(d) ...	3.50 %	€ 100.0	€ 900.0

The following table provides a reconciliation of total third-party debt before deferred financing costs and discounts to total debt obligations as of December 31, 2021 (in millions):

Total third-party debt before deferred financing costs and discounts	€ 900.0
Deferred financing costs and discounts, net	(6.2)
Total debt obligations	€ 893.8

- (a) The interest rate presented does 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 was 3.90% at December 31, 2021. For information regarding our derivative instruments, see note 5.

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- (b) Unused borrowing capacity represents the maximum availability under the Credit Facility (as defined and described below) at December 31, 2021 without regard to covenant compliance calculations or other conditions precedent to borrowing. At December 31, 2021, based on the most restrictive applicable leverage covenants and leverage-based restricted payment tests, the full €100.0 million of unused borrowing capacity was available to be borrowed, €81.6 million of which was available to loan or distribute. Upon completion of the relevant December 31, 2021 compliance reporting requirements, and based on the most restrictive applicable leverage covenants and leverage-based restricted payment tests, we expect the full €100.0 million 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 December 31, 2021, or the impact of additional amounts that may be available to borrow, loan or distribute under certain defined baskets within the Credit Facility.
- (c) Unused borrowing capacity under the Credit Facility relates to €100.0 million under the Revolving Facility (each as defined below), which was undrawn at December 31, 2021.
- (d) As of December 31, 2021, our debt had an estimated fair value of €898.9 million. The estimated fair values of our debt instruments are generally determined using the average of applicable bid and ask prices.

From time to time we enter into certain interest-bearing vendor financing arrangements with various creditors 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 as debt on our consolidated balance sheet. These obligations are generally due within one year and include VAT that was also financed under these arrangements. For purposes of our consolidated statement of cash flows, operating-related expenses financed by an intermediary are treated as constructive operating cash outflows and constructive financing cash inflows when the intermediary settles the liability with the vendor as there is no actual cash outflow until we pay the financing intermediary. During 2021, the constructive cash outflow included in cash flows from operating activities and the corresponding constructive cash inflow included in cash flows from financing activities related to these operating expenses was €3.5 million. Repayments of vendor financing obligations at the time we pay the financing intermediary are included in repayments and repurchases of debt in our consolidated statement of cash flows. As of December 31, 2021, all of our vendor financing obligations had been repaid.

General Information

Credit Facility. Certain of our subsidiaries have entered into a credit facility agreement with certain financial and other institutions (the "**Credit Facility**"). The Credit Facility contains certain covenants, the more notable of which are as follows:

- The Credit Facility contains certain consolidated net leverage ratios which are required to be complied with (i) on an incurrence basis and/or (ii) when the Revolving Facility (as defined below) has been drawn beyond a specified percentage of the total available revolving credit commitments on a maintenance basis;
- Subject to certain customary and agreed exceptions, the Credit Facility contains certain restrictions which, among other things, restrict certain of our subsidiaries' ability to (i) incur or guarantee certain financial indebtedness, (ii) make certain disposals and acquisitions, (iii) create certain security interests over their assets and (iv) make certain restricted payments to their direct and/or indirect parent companies through dividends, loans or other distributions;
- The Credit Facility requires that certain of our subsidiaries (i) guarantee the payment of all sums payable under the Credit Facility and (ii) grant first-ranking security over their shares to secure the payment of all sums payable thereunder;
- In addition to certain mandatory prepayment events, the Credit Facility provides that the instructing group of lenders, under certain circumstances, may cancel the group's commitments thereunder and declare the loan(s) thereunder due and payable after the applicable notice period following the occurrence of a change of control (as specified in the Credit Facility);
- The Credit Facility contains certain customary events of default, the occurrence of which, subject to certain exceptions, materiality qualifications and cure rights, would allow the instructing group of lenders to (i) cancel the total

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commitments, (ii) declare that all or part of the loans be payable on demand and/or (iii) accelerate all outstanding loans and terminate their commitments thereunder;

- The Credit Facility requires that certain of our subsidiaries observe certain affirmative and negative undertakings and covenants, which are subject to certain materiality qualifications and other customary and agreed exceptions; and
- In addition to customary default provisions, the Credit Facility includes certain cross-default provisions with respect to the indebtedness of certain of our subsidiaries, subject to agreed minimum thresholds and other customary and agreed exceptions.

2021 Financing Transactions

In June 2021, certain of our subsidiaries entered into the Credit Facility, which comprises (i) a €900.0 million term loan facility (**Facility B1**) and (ii) a €100.0 million revolving facility (the **Revolving Facility**). Facility B1 was issued at 99.5% of par, matures on July 15, 2029 and bears interest at a rate of EURIBOR + 3.5%, subject to a EURIBOR floor of 0.0%. The Revolving Facility matures on September 15, 2027 and bears interest at a rate of EURIBOR + 2.75%. The net proceeds from Facility B1 of €893.4 million were used to repay certain related-party loans aggregating €885.9 million, and the remaining amount was loaned to another subsidiary of Liberty Global, as further described in note 10.

(8) Leases

General

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

Lease Balances

Our operating lease ROU assets were €11.5 million as of December 31, 2021 and are included in other assets, net, on our consolidated balance sheet. At December 31, 2021, the weighted average remaining lease term for operating leases was 6.9 years and the weighted average discount rate was 3.7%. During 2021, we recorded non-cash additions to our operating lease ROU assets of €8.8 million.

Our operating lease liabilities were €18.8 million as of December 31, 2021. The current and long-term portions of our operating lease liabilities are included within other current liabilities and other long-term liabilities, respectively, on our consolidated balance sheet.

We recorded operating lease expense of €9.9 million during 2021. Our operating lease expense is included in other operating expenses, SG&A expenses and impairment, restructuring and other operating items, net, in our consolidated statement of operations.

Our total cash outflows from operating leases recorded during 2021 was €4.3 million.

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Maturities of our operating lease liabilities as of December 31, 2021 are presented below (in millions):

Year ending December 31:	
2022	€ 4.0
2023	3.9
2024	3.3
2025	2.4
2026	1.4
Thereafter	6.0
Total payments	21.0
Less: present value discount	(2.2)
Present value of lease payments	€ 18.8
Current portion	€ 3.5
Noncurrent portion	€ 15.3

(9) Income Taxes

VM Ireland and its subsidiaries file their primary income tax returns in Ireland. The income taxes of VM Ireland and its subsidiaries are presented on a separate return basis for each tax-paying entity. All components of our earnings before income taxes and current income tax expense are from Irish sources.

Income tax expense attributable to earnings before income taxes during 2021 differs from the amounts computed using the Irish statutory income tax rate of 12.5% as a result of the following factors (in millions):

Computed “expected” tax expense	€ (4.2)
Change in valuation allowances	4.5
Non-deductible or non-taxable interest and other expenses	(0.7)
Other, net	(0.2)
Total income tax expense	€ (0.6)

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The tax effects of temporary differences that give rise to significant portions of our deferred tax assets and deferred tax liabilities as of December 31, 2021 are presented below (in millions):

Deferred tax assets:	
Net operating loss and other carryforwards	€ 65.9
Leases	2.3
Property and equipment, net	0.4
Other future deductible amounts	—
Deferred tax assets	68.6
Valuation allowance	(50.3)
Deferred tax assets, net of valuation allowance	18.3
Deferred tax liabilities:	
Property and equipment, net	(16.8)
ROU assets	(1.2)
Intangible assets	(0.3)
Deferred tax liabilities	(18.3)
Net deferred tax liability	€ —

Our deferred income tax valuation allowance, including equity items, decreased by €12.0 million during 2021. This decrease reflects the net effect of (i) an overall decrease in deferred tax assets, (ii) net tax expense of €4.5 million and (iii) other individually insignificant items.

At December 31, 2021 our total net operating loss and capital loss carryforward was €524.8 million with a related tax asset of €65.9 million. These tax losses have an indefinite carryforward period. Our tax loss carryforwards combine all companies' tax losses (both capital and ordinary losses), however, there are limitations on the ability to offset taxable income of a separate company with the tax losses associated with another separate company. Further, there are restrictions on the type of taxable income that the losses are able to offset. These tax losses are not expected to be realized.

In the normal course of business, our income tax filings are subject to review by taxing authorities. In connection with such reviews, disputes could arise with the taxing authorities over the interpretation or application of certain income tax rules related to our business. Such disputes may result in future tax and interest and penalty assessments by these taxing authorities. The ultimate resolution of tax contingencies will take place upon the earlier of (i) the settlement date with the applicable taxing authorities in either cash or agreement of income tax positions or (ii) the date when the tax authorities are statutorily prohibited from adjusting the company's tax computations.

In general, tax returns filed by VM Ireland or its subsidiaries for years prior to 2016 are no longer subject to examination by tax authorities. Certain of our subsidiaries are currently involved in income tax examinations with the Irish tax authorities. Any adjustments that might arise from these examinations are not expected to have a material impact on our financial position or results of operations.

The changes in our unrecognized tax benefits during 2021 are summarized below (in millions):

Balance at January 1	€ 0.2
Additions based on tax positions related to the current year	11.1
Reductions for tax positions of prior years	(0.2)
Balance at December 31	€ 11.1

No assurance can be given that any of these tax benefits will be recognized or realized.

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As of December 31, 2021, there were €0.5 million of unrecognized tax benefits that would have a favorable impact on our effective income tax rate if ultimately recognized, after considering amounts that we would expect to be offset by valuation allowances and other factors.

During 2022, we do not expect any material reductions to our unrecognized tax benefits related to tax positions taken as of December 31, 2021. No assurance can be given as to the nature or impact of any changes in our unrecognized tax positions during 2022.

(10) Related-party Transactions

Our related-party transactions during 2021 consist of the following (in millions):

Credits (charges) included in:	
Revenue	€ 1.9
Programming and other direct costs of services	(0.2)
Other operating	(2.2)
SG&A	(6.5)
Allocated share-based compensation expense	(5.2)
Fees and allocations, net:	
Operating and SG&A (exclusive of depreciation and share-based compensation)	(3.0)
Depreciation	(29.7)
Share-based compensation	(7.8)
Management fee	(5.2)
Total fees and allocations, net	(45.7)
Included in operating income	(57.9)
Interest expense	(15.8)
Interest income	0.5
Realized and unrealized gains on derivative instruments, net	1.9
Included in net earnings	€ (71.3)
Property and equipment transfers, net	€ 1.9

General. VM Ireland charges fees and allocates costs and expenses to certain other Liberty Global subsidiaries and certain Liberty Global subsidiaries outside of VM Ireland charge fees and allocate costs and expenses to VM Ireland. 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 consolidated statement of operations are reflective of the costs that we would incur on a standalone basis. Our related-party transactions are generally cash settled unless otherwise noted below.

Revenue. Amounts primarily relate to B2B related services and network maintenance services provided to certain affiliates outside of the VM Ireland.

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

Other operating expenses. Amounts include certain charges, which may be cash or loan settled, between Liberty Global subsidiaries and the VM Ireland, 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 VM Ireland, 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 subsidiaries. Share-based compensation expense is included in SG&A expenses in our consolidated statement 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 our company. Amounts represent the charge to or from our company based on 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 which are 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 consolidated statement of owner's deficit. For 2021, our estimated share of the technology-based costs resulted in capital charges of €2.7 million related to the associated mark-up.

Interest expense. Amounts represent interest expense on long-term related-party debt.

Interest income. Amounts represent interest income on long-term related-party notes receivable, as further described below.

Realized and unrealized gains on derivative instruments, net. These amounts relate to related-party cross-currency and interest rate derivative contracts and foreign currency forward contracts with Virgin Media, Inc. and Liberty Global Europe 2 Limited, both subsidiaries of Liberty Global.

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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, which centrally procure equipment on behalf of our company and various other Liberty Global subsidiaries, and (iii) used equipment transferred to or acquired from other Liberty Global subsidiaries outside of VM Ireland.

The following table provides details of our related-party balances as of December 31, 2021 (in millions):

Current receivables	€	0.3
Derivative instruments		1.1
Long-term notes receivable (a)		58.2
Total related-party assets	€	60.4
Accounts payable	€	7.1
Other current liabilities		15.2
Total related-party liabilities	€	22.3

- (a) Represents a related-party note receivable from a subsidiary of Liberty Global outside of VM Ireland. The note receivable bears interest at a rate of 3.92% and matures on August 1, 2031. Accrued interest on the note receivable is transferred to the receivable balance at the beginning of each year.

(11) Defined Benefit Plans

We maintain a defined benefit plan for our employees, as summarized in the table below as of December 31, 2021 (in millions):

Projected benefit obligation	€	39.4
Fair value of plan assets (a)	€	39.3
Net liability	€	0.1

- (a) Our plan assets comprise investments in debt securities, equity securities, real estate and certain other assets.

Our net periodic pension cost was €0.2 million during 2021, and contributions to our defined benefit plan aggregated €1.9 million. We expect this amount to remain unchanged in 2022.

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(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, purchases of customer premises and other equipment and services and network and connectivity commitments. The following table sets forth the pound sterling equivalents of such commitments as of December 31, 2021. The commitments included in this table do not reflect any liabilities that are included on our December 31, 2021 consolidated balance sheet.

	Payments due during:							Total
	2022	2023	2024	2025	2026	Thereafter	in millions	
Programming commitments	€ 35.5	€ 19.1	€ 16.1	€ 16.1	€ 12.3	€ 2.2	€ 101.3	
Purchase commitments	6.6	1.4	0.8	0.8	0.7	0.6	10.9	
Network and connectivity commitments	7.8	1.1	0.8	—	—	—	9.7	
Total	<u>€ 49.9</u>	<u>€ 21.6</u>	<u>€ 17.7</u>	<u>€ 16.9</u>	<u>€ 13.0</u>	<u>€ 2.8</u>	<u>€ 121.9</u>	

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 this will continue to be the case in future periods. In this regard, our total programming and copyright costs aggregated €47.2 million during 2021.

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

Network and connectivity commitments include (i) broadcasting capacity commitments, (ii) network maintenance commitments and (iii) fiber leasing agreements.

In addition to the commitments set forth in the table above, we have 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 2021, see note 5. For information regarding our defined benefit plans, see note 11.

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 Ireland. 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,

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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.

(13) Segment Reporting

We have one reportable segment that provides broadband internet, video, fixed-line telephony, mobile and broadcasting services in Ireland.

Adjusted EBITDA is the primary measure used by our chief operating decision maker to evaluate operating performance and is also a key factor that is used by our internal decision makers to evaluate the effectiveness of our management for purposes of annual and other incentive compensation plans. As we use the term, “**Adjusted EBITDA**” is defined as net earnings (loss) 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 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 readily view operating trends. A reconciliation of net earnings or loss to Adjusted EBITDA is presented below.

The following table provides a reconciliation of net earnings to Adjusted EBITDA for the year ended December 31, 2021 (in millions):

Net earnings	€	33.1
Income tax expense		0.6
Other income, net		(0.2)
Realized and unrealized gains on derivative instruments, net		(10.2)
Interest expense		33.9
Operating income		57.2
Impairment, restructuring and other operating items, net		9.5
Depreciation and amortization		67.4
Related-party fees and allocations, net		45.7
Share-based compensation expense		5.2
Adjusted EBITDA	€	<u>185.0</u>

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Property and Equipment Additions of our Reportable Segment

The property and equipment additions of our reportable segment during 2021 (including capital additions financed under vendor financing arrangements) are presented below (in millions) and reconciled to the capital expenditure amounts included in our consolidated statement of cash flows. For additional information concerning capital additions financed under vendor financing arrangements see note 6.

Property and equipment additions	€ 80.2
Assets acquired under capital-related vendor financing arrangements	(11.5)
Changes in liabilities related to capital expenditures (including related-party amounts)	(4.1)
Total capital expenditures	<u>€ 64.6</u>

Revenue by Major Category

Our revenue by major category during 2021 is set forth below (in millions):

Residential revenue:	
Residential fixed revenue (a):	
Subscription revenue (b):	
Broadband internet	€ 171.4
Video	84.2
Fixed-line telephony	50.4
Total subscription revenue	<u>306.0</u>
Non-subscription revenue	3.4
Total residential cable revenue	<u>309.4</u>
Residential mobile revenue (c):	
Subscription revenue (b)	
Non-subscription revenue	9.8
Total residential mobile revenue	<u>36.2</u>
Total residential revenue	<u>345.6</u>
B2B revenue (d):	
Subscription revenue	10.1
Non-subscription revenue	25.2
Total B2B revenue	<u>35.3</u>
Other revenue (e)	<u>84.4</u>
Total	<u>€ 465.3</u>

- (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

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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 and large enterprises and, on a wholesale basis, to other operators.
- (e) Other revenue primarily includes broadcasting revenue.