



The UPC Holding Group

**Condensed Combined Financial Statements
March 31, 2023**

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

	March 31, 2023	December 31, 2022	
ASSETS			
in millions			
Current assets:			
Cash and cash equivalents	€ 5.3	€ 2.8	
Trade receivables, net (note 11)	375.3	395.8	
Derivative instruments (note 5)	247.4	223.0	
Prepaid expenses	102.7	106.6	
Other current assets (notes 3 and 11)	232.3	260.5	
Total current assets	963.0	988.7	
Related-party receivables (note 11)	—	85.8	
Property and equipment, net (notes 7 and 9)	2,680.5	2,625.5	
Goodwill (note 7)	6,111.5	6,139.5	
Intangible assets subject to amortization, net (note 7)	1,440.5	1,532.8	
Operating lease right-of-use (ROU) assets (note 9)	936.3	953.4	
Other assets, net (notes 3, 5 and 11)	668.0	746.9	
Total assets	€ 12,799.8	€ 13,072.6	

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

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

	March 31, 2023	December 31, 2022
	in millions	
LIABILITIES AND COMBINED EQUITY		
Current liabilities:		
Accounts payable (note 11)	€ 183.7	€ 227.6
Derivative instruments (note 5)	111.6	204.0
Current portion of debt and finance lease obligations (notes 8 and 9)	248.3	270.7
Current operating lease liabilities (note 9)	75.0	76.8
Accrued capital expenditures	95.3	94.3
Other accrued and current liabilities:		
Third-party (note 3)	557.7	502.9
Related-party (note 11)	55.8	67.7
Total current liabilities	1,327.4	1,444.0
Long-term debt and finance lease obligations (notes 8 and 9):		
Third-party	5,588.6	5,640.6
Related-party (note 11)	44.0	—
Derivative instruments (note 5)	382.7	397.8
Long-term operating lease liabilities (note 9)	884.7	909.7
Other long-term liabilities (notes 3 and 11)	352.1	365.9
Total liabilities	8,579.5	8,758.0
Commitments and contingencies (notes 5, 8, 9, 10 and 12)		
Combined equity:		
Parent entities:		
Contributions and accumulated earnings in excess of distributions	3,107.8	3,187.7
Accumulated other comprehensive earnings, net of taxes	1,093.8	1,109.1
Total combined equity attributable to parent entities	4,201.6	4,296.8
Noncontrolling interests	18.7	17.8
Total combined equity	4,220.3	4,314.6
Total liabilities and combined equity	€ 12,799.8	€ 13,072.6

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	
	March 31,	
	2023	2022
	in millions	
Revenue (notes 3, 11 and 13)	€ 764.5	€ 742.7
Operating costs and expenses (exclusive of depreciation and amortization, shown separately below):		
Programming and other direct costs of services (notes 9 and 11)	247.8	235.8
Other operating (notes 9 and 11)	122.5	101.6
Selling, general and administrative (SG&A) (notes 9 and 11)	149.6	141.1
Related-party fees and allocations, net (note 11)	19.6	41.4
Depreciation and amortization	240.6	234.4
Impairment, restructuring and other operating items, net (note 9)	0.4	0.8
	<u>780.5</u>	<u>755.1</u>
Operating loss	(16.0)	(12.4)
Non-operating income (expense):		
Interest expense (note 11)	(87.1)	(61.9)
Realized and unrealized gains (losses) on derivative instruments, net (note 5)	(3.0)	196.2
Foreign currency transaction gains (losses), net	15.6	(1.1)
Other income, net (note 11)	3.7	9.5
	<u>(70.8)</u>	<u>142.7</u>
Earnings (loss) from continuing operations before income taxes	(86.8)	130.3
Income tax benefit (note 10)	18.6	15.0
Earnings (loss) from continuing operations	(68.2)	145.3
Earnings from discontinued operations, net of taxes (note 4)	—	16.3
Net earnings (loss)	(68.2)	161.6
Net earnings attributable to noncontrolling interests	(1.0)	(0.8)
Net earnings (loss) attributable to parent entities	<u>€ (69.2)</u>	<u>€ 160.8</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	
	March 31,	
	2023	2022
	in millions	
Net earnings (loss)	€ (68.2)	€ 161.6
Other comprehensive earnings (loss), net of taxes:		
Continuing operations:		
Foreign currency translation adjustments	(14.9)	42.5
Pension-related adjustments and other	(0.4)	(1.0)
Other comprehensive earnings (loss) from continuing operations	(15.3)	41.5
Other comprehensive loss from discontinued operations (note 4)	—	(10.4)
Other comprehensive earnings (loss)	(15.3)	31.1
Comprehensive earnings (loss)	(83.5)	192.7
Comprehensive earnings attributable to noncontrolling interests	(1.0)	(0.8)
Comprehensive earnings (loss) attributable to parent entities	€ (84.5)	€ 191.9

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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, 2022.....	€ 2,843.3	€ 959.4	€ 3,802.7	€ 17.1	€ 3,819.8
Net earnings.....	160.8	—	160.8	0.8	161.6
Other comprehensive earnings, net of taxes.....	—	31.1	31.1	—	31.1
Capital charge in connection with the exercise or vesting of share-based incentive awards (note 11).....	(5.2)	—	(5.2)	—	(5.2)
Share-based compensation (note 11).....	3.8	—	3.8	—	3.8
Capital charge for technology-related services (note 11).....	(2.6)	—	(2.6)	—	(2.6)
Other, net.....	0.8	—	0.8	0.4	1.2
Balance at March 31, 2022.....	<u>€ 3,000.9</u>	<u>€ 990.5</u>	<u>€ 3,991.4</u>	<u>€ 18.3</u>	<u>€ 4,009.7</u>

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				
	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, 2023.....	€ 3,187.7	€ 1,109.1	€ 4,296.8	€ 17.8	€ 4,314.6
Net loss	(69.2)	—	(69.2)	1.0	(68.2)
Other comprehensive loss, net of taxes	—	(15.3)	(15.3)	—	(15.3)
Technology-related transfer pricing recovery fee (note 11)	(13.3)	—	(13.3)	—	(13.3)
Share-based compensation (note 11)	3.4	—	3.4	—	3.4
Capital charge in connection with the exercise or vesting of share-based incentive awards (note 11)	(1.0)	—	(1.0)	—	(1.0)
Other, net	0.2	—	0.2	(0.1)	0.1
Balance at March 31, 2023.....	<u>€ 3,107.8</u>	<u>€ 1,093.8</u>	<u>€ 4,201.6</u>	<u>€ 18.7</u>	<u>€ 4,220.3</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)

	Three months ended March 31,	
	2023	2022
	in millions	
Cash flows from operating activities:		
Net earnings (loss)	€ (68.2)	€ 161.6
Earnings from discontinued operations	—	16.3
Earnings (loss) from continuing operations	(68.2)	145.3
Adjustments to reconcile earnings (loss) from continuing operations to net cash provided by operating activities of continuing operations:		
Share-based compensation expense	5.0	7.9
Related-party fees and allocations, net	19.6	41.4
Depreciation and amortization	240.6	234.4
Impairment, restructuring and other operating items, net	0.4	0.8
Realized and unrealized losses (gains) on derivative instruments, net	3.0	(196.2)
Foreign currency transaction losses (gains), net	(15.6)	1.1
Deferred income tax benefit	(19.0)	(15.4)
Changes in operating assets and liabilities, net of the effects of acquisitions and dispositions	26.8	130.5
Net cash provided by operating activities of continuing operations	192.6	349.8
Net cash used by operating activities of discontinued operations	—	(57.5)
Net cash provided by operating activities	192.6	292.3
Cash flows from investing activities:		
Capital expenditures, net	(119.7)	(119.6)
Repayments from related parties, net	94.6	136.3
Cash paid in connection with acquisitions, net of cash acquired	(68.3)	—
Other investing activities, net	—	(38.7)
Net cash used by investing activities of continuing operations	(93.4)	(22.0)
Net cash used by investing activities of discontinued operations	—	(13.8)
Net cash used by investing activities	(93.4)	(35.8)
Cash flows from financing activities:		
Repayments of related-party debt, net	(9.0)	(168.4)
Operating-related vendor financing additions	62.6	17.1
Repayments and repurchases of third-party debt and finance lease obligations:		
Principal payments on operating-related vendor financing	(24.8)	(55.5)
Principal payments on capital-related vendor financing	(70.3)	(6.0)
Principal payments on finance leases	(0.7)	(2.1)
Net cash paid related to derivative instruments	(57.3)	(8.0)
Net cash used by financing activities of continuing operations	(99.5)	(222.9)
Net cash used by financing activities of discontinued operations	—	(2.2)
Net cash used by financing activities	€ (99.5)	€ (225.1)

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)

	Three months ended	
	March 31,	
	2023	2022
	in millions	
Effect of exchange rate changes on cash and cash equivalents and restricted cash:		
Continuing operations	€ 3.1	€ (1.3)
Discontinued operations	—	—
Total	<u>3.1</u>	<u>(1.3)</u>
Net increase in cash and cash equivalents and restricted cash:		
Continuing operations	2.8	103.6
Discontinued operations	—	(73.5)
Total	<u>2.8</u>	<u>30.1</u>
Cash and cash equivalents and restricted cash:		
Beginning of period	3.5	17.8
End of period	<u>€ 6.3</u>	<u>€ 47.9</u>
Cash paid for interest – third-party:		
Continuing operations	€ 124.6	€ 100.3
Discontinued operations	—	0.3
Total	<u>€ 124.6</u>	<u>€ 100.6</u>
Cash paid for interest – related-party:		
Continuing operations	€ —	€ —
Discontinued operations	—	0.1
Total	<u>€ —</u>	<u>€ 0.1</u>
Net cash paid for taxes:		
Continuing operations	€ 0.6	€ 0.3
Discontinued operations	—	6.6
Total	<u>€ 0.6</u>	<u>€ 6.9</u>
Details of end of period cash and cash equivalents and restricted cash:		
Cash and cash equivalents	€ 5.3	€ 46.9
Restricted cash included in other assets, net	1.0	1.0
Total cash and cash equivalents and restricted cash	<u>€ 6.3</u>	<u>€ 47.9</u>

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

The UPC Holding Group
Notes to Condensed Combined Financial Statements
March 31, 2023
(unaudited)

(1) Basis of Presentation

UPC Holding B.V. (**UPC Holding**), UPC Slovakia Holding I B.V. (**UPC Slovakia**) 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**) and LG Finance II (collectively, the **UPC Holding Group**).

Slovakia and LG Finance II, which are owned by subsidiaries of Liberty Global outside of UPC Holding, 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 order to comply with the facilities agreement and bond indentures governing the debt of the UPC Holding Group. In these notes, the terms “we,” “our,” “our company” and “us” refer to the UPC Holding Group.

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

Through March 31, 2022, we provided residential and B2B communications services in Poland. On April 1, 2022, UPC Poland Holding B.V. (**UPC Poland**) completed the sale of our operations in Poland (**UPC Polska**). Accordingly, in these condensed combined financial statements, UPC Polska is reflected as a discontinued operation for all applicable periods. Just prior to the completion of the sale, UPC Poland and UPC Polska resigned as restricted subsidiaries for the purpose of the facilities agreement and bond indentures governing the debt of the UPC Holding Group and are therefore no longer included within the UPC Holding borrowing group. The resignation was accounted for at carryover basis as a transaction under common control. 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 2022 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 March 31, 2023.

These unaudited condensed combined financial statements reflect our consideration of the accounting and disclosure implications of subsequent events through May 25, 2023, the date of issuance.

The UPC Holding Group
Notes to Condensed Combined Financial Statements — (Continued)
March 31, 2023
(unaudited)

(2) Accounting Changes

ASU 2022-04

In September 2022, the Financial Accounting Standards Board (the **FASB**) issued Accounting Standards Update (**ASU**) No. 2022-04, *Liabilities—Supplier Finance Programs (ASU 2022-04)*, which requires additional disclosures for buyers participating in supplier financing programs, which we refer to as vendor financing, including (i) the key terms of the arrangement, (ii) the confirmed amount outstanding at the end of the period, (iii) the balance sheet presentation of related amounts and (iv) a reconciliation of the balances from period to period. We adopted ASU 2022-04 on January 1, 2023, and such adoption did not have a significant impact on our combined financial statements. For additional information regarding our vendor financing obligations, see note 8.

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. We adopted ASU 2021-08 on January 1, 2023. The main impact of the adoption of ASU 2021-08 is the recognition of contract assets and contract liabilities in 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 March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform: Facilitation of the Effects of Reference Rate Reform on Financial Reporting (ASU 2020-04)*, which provides, for a limited time, optional expedients and exceptions for certain contract modifications that reference the London Interbank Offered Rate (**LIBOR**) or another reference rate expected to be discontinued. In December 2022, the FASB deferred the expiration date of ASU 2020-04 from December 31, 2022 to December 31, 2024. In accordance with the optional expedients in ASU 2020-04, we have modified certain debt agreements to replace LIBOR with another reference rate and applied the practical expedient to account for the modification as a continuation of the existing contract, and we expect to modify certain additional debt agreements in the future. The use of optional expedients in ASU 2020-04 has not had a significant impact on our combined financial statements to date. For additional information regarding our debt, see note 8.

(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 €25.0 million and €22.6 million at March 31, 2023 and December 31, 2022, 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 €24.2 million and €22.8 million as of March 31, 2023 and December 31, 2022, 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 €142.2 million and €76.9 million as of March 31, 2023 and December 31, 2022, respectively. The increase in deferred revenue for the three months ended March 31, 2023 is primarily due to the impact of additions during the period, partially offset by the recognition of €28.9 million of revenue that was included in our deferred revenue balance at December 31, 2022. The long-term portions of our deferred revenue balances are included within other long-term liabilities on our condensed combined balance sheets.

The UPC Holding Group
Notes to Condensed Combined Financial Statements — (Continued)
March 31, 2023
(unaudited)

Contract Costs

Our aggregate assets associated with incremental costs to obtain our contracts were €65.6 million and €63.3 million at March 31, 2023 and December 31, 2022, 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 €2.8 million and €4.0 million during the three months ended March 31, 2023 and 2022, 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.

(4) Dispositions

On April 1, 2022, UPC Poland completed the sale of UPC Polska. Just prior to the completion of the sale, UPC Poland and UPC Polska resigned as restricted subsidiaries for the purpose of the facilities agreement and bond indentures governing the debt of the UPC Holding Group and are therefore no longer included within the UPC Holding borrowing group. Accordingly, the sale of UPC Polska is not reflected in our condensed combined financial statements. The resignation was accounted for at carryover basis as a transaction under common control. As UPC Polska was already presented as a discontinued operation and UPC Poland did not have any material activity, other than certain intercompany transactions with other entities of the UPC Holding Group, we did not give retrospective effect to this transaction in our condensed combined financial statements. As such, the results and cash flows of UPC Polska (presented as a discontinued operation) and UPC Poland (presented as a continuing operation) are included in our condensed combined financial statements until April 1, 2022.

UPC Polska is presented as a discontinued operation in our condensed combined financial statements for all applicable periods. Effective with the signing of the sale and purchase agreement on September 22, 2021, we ceased to depreciate or amortize the associated long-lived assets. No debt, interest or derivative instruments have been allocated to discontinued operations.

The operating results of UPC Polska for the three months ended March 31, 2022 are summarized in the following table (in millions). These amounts exclude intercompany revenue and expenses that are eliminated within our condensed combined statement of operations.

Revenue	€ 97.6
Operating income	€ 25.6
Earnings before income taxes	€ 24.6
Income tax expense	(8.3)
Net earnings attributable to parent entities	€ 16.3

The UPC Holding Group
Notes to Condensed Combined Financial Statements — (Continued)
March 31, 2023
(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 (€) and the Swiss franc (CHF). 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:

	March 31, 2023			December 31, 2022		
	Current	Long-term	Total	Current	Long-term	Total
	in millions					
Assets (a):						
Cross-currency and interest rate derivative contracts (b).....	€ 245.7	€ 292.5	€ 538.2	€ 222.5	€ 394.5	€ 617.0
Foreign currency forward and option contracts.....	1.7	—	1.7	0.5	—	0.5
Total.....	€ 247.4	€ 292.5	€ 539.9	€ 223.0	€ 394.5	€ 617.5
Liabilities:						
Cross-currency and interest rate derivative contracts (b).....	€ 109.1	€ 382.7	€ 491.8	€ 198.1	€ 397.8	€ 595.9
Foreign currency forward and option contracts.....	2.5	—	2.5	5.9	—	5.9
Total.....	€ 111.6	€ 382.7	€ 494.3	€ 204.0	€ 397.8	€ 601.8

- (a) Our long-term derivative assets are included in other assets, net, on our condensed combined balance sheets.
- (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 (loss) of (€23.4 million) and €7.7 million during the three months ended March 31, 2023 and 2022, 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 March 31,	
	2023	2022
	in millions	
Cross-currency and interest rate derivative contracts.....	€ (1.8)	€ 164.4
Foreign currency forward and option contracts.....	(1.2)	31.8
Total.....	€ (3.0)	€ 196.2

The UPC Holding Group
Notes to Condensed Combined Financial Statements — (Continued)
March 31, 2023
(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. The following table sets forth the classification of the net cash outflows of our derivative instruments:

	Three months ended	
	March 31,	
	2023	2022
	in millions	
Operating activities	€ 24.4	€ (21.2)
Investing activities	—	1.8
Financing activities	(57.3)	(8.0)
Total	€ (32.9)	€ (27.4)

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, however notwithstanding, given the size of our derivative portfolio, the default of certain counterparties could have a significant impact on our combined statements of operations. Collateral is generally not posted by either party under our derivative instruments. At March 31, 2023, our exposure to counterparty credit risk included derivative assets with an aggregate fair value of €231.5 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 March 31, 2023, 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 March 31, 2023:

Notional amount due from		Notional amount due to		Weighted average
counterparty		counterparty		remaining life
in millions		in millions		in years
\$	250.0	€	220.6	2.5
\$	4,475.0	CHF	4,098.2 (a)	5.2
€	1,952.6	CHF	2,176.5	4.0

(a) Includes certain derivative instruments that are “forward-starting,” such that the initial exchange occurs at a date subsequent to March 31, 2023. 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)
March 31, 2023
(unaudited)

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 March 31, 2023:

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
€ 3,102.9 (a)	3.3	€ 3,005.3	3.4

(a) Includes forward-starting derivative instruments.

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 March 31, 2023, the total euro equivalent of the notional amounts due from the counterparty, including forward-starting derivative instruments, was €3.3 billion and the related weighted average remaining contractual life of our basis swap contracts was 0.5 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 March 31, 2023, 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 €230.5 million and €4.1 billion, 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 a decrease of 314 basis points to our borrowing costs as of March 31, 2023.

Foreign Currency Forwards and Options

We enter into foreign currency forward and option contracts with respect to non-functional currency exposure. As of March 31, 2023, the total euro equivalent of the notional amounts of our foreign currency forward and option contracts was €279.1 million.

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(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 March 31, 2023 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 for nonrecurring valuations performed in connection with acquisition accounting and impairment assessments. These nonrecurring valuations include the valuation of reporting units, customer relationships and other intangible assets, property and equipment and the implied value of goodwill. 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, including inputs with respect to revenue growth and Segment Adjusted EBITDA margin (as defined in note 13), and terminal growth rates, 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. The implied value of goodwill is determined by allocating the fair value of a reporting unit to all of the assets and liabilities of that unit as if the reporting unit had been acquired in a business combination, with the residual amount allocated to goodwill. Most of our nonrecurring valuations use significant unobservable inputs and therefore fall under Level 3 of the fair value hierarchy. During the three months ended March 31, 2023 and 2022, we did not perform any significant nonrecurring fair value measurements.

At March 31, 2023 and December 31, 2022, all of our derivative instruments fell under Level 2 of the fair value hierarchy.

For additional information concerning our fair value measurements, see note 7 to the combined financial statements included in our 2022 annual report.

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(7) Long-lived Assets

Property and Equipment, Net

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

	March 31, 2023	December 31, 2022
	in millions	
Distribution systems	€ 4,219.8	€ 4,152.0
Support equipment, buildings and land	1,210.3	1,240.2
Customer premises equipment (CPE)	392.8	486.4
Total property and equipment, gross	5,822.9	5,878.6
Accumulated depreciation	(3,142.4)	(3,253.1)
Total property and equipment, net	<u>€ 2,680.5</u>	<u>€ 2,625.5</u>

During the three months ended March 31, 2023 and 2022, we recorded non-cash increases to our property and equipment related to certain vendor financing arrangements of €10.6 million and €34.5 million, respectively, which exclude related value-added taxes (VAT) of €1.5 million and €3.2 million, respectively, that were also financed under these arrangements.

Goodwill

Changes in the carrying amount of our goodwill during the three months ended March 31, 2023 are set forth below:

	January 1, 2023	Acquisitions and related adjustments	Foreign currency translation adjustments	March 31, 2023
	in millions			
Switzerland	€ 6,082.9	€ 7.6	€ (35.6)	€ 6,054.9
Central and Other	56.6	—	—	56.6
Total	<u>€ 6,139.5</u>	<u>€ 7.6</u>	<u>€ (35.6)</u>	<u>€ 6,111.5</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.

Intangible Assets Subject to Amortization, Net

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

	March 31, 2023			December 31, 2022		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
	in millions					
Customer relationships	€ 1,958.5	€ (810.2)	€ 1,148.3	€ 1,962.7	€ (735.0)	€ 1,227.7
Other	405.6	(113.4)	292.2	406.7	(101.7)	305.0
Total	<u>€ 2,364.1</u>	<u>€ (923.6)</u>	<u>€ 1,440.5</u>	<u>€ 2,369.4</u>	<u>€ (836.7)</u>	<u>€ 1,532.7</u>

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(8) Debt

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

	March 31, 2023		Principal amount	
	Weighted average interest rate (a)	Unused borrowing capacity (b)	March 31, 2023	December 31, 2022
			in millions	
Parent entities – UPC Holding Senior Notes	4.77 %	€ —	€ 754.0	€ 760.2
Combined entities:				
UPC Holding Bank Facility (c)	6.96 %	713.4	3,316.7	3,349.7
UPC SPE Notes	4.57 %	—	1,525.0	1,542.0
Vendor financing (d)	3.03 %	—	243.7	265.7
Total third-party debt before deferred financing costs and discounts (e)	5.89 %	€ 713.4	€ 5,839.4	€ 5,917.6

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

	March 31, 2023	December 31, 2022
	in millions	
Total third-party debt before deferred financing costs and discounts	€ 5,839.4	€ 5,917.6
Deferred financing costs and discounts, net	(22.8)	(24.0)
Total carrying amount of third-party debt	5,816.6	5,893.6
Finance lease obligations (note 9)	20.3	17.7
Total third-party debt and finance lease obligations	5,836.9	5,911.3
Related-party debt (note 11)	44.0	—
Total debt and finance lease obligations	5,880.9	5,911.3
Current portion of debt and finance lease obligations	(248.3)	(270.7)
Long-term debt and finance lease obligations	€ 5,632.6	€ 5,640.6

- (a) Represents the weighted average interest rate in effect at March 31, 2023 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 2.99% at March 31, 2023. For information regarding our derivative instruments, see note 5.
- (b) Unused borrowing capacity represents the maximum availability under the UPC Holding Bank Facility at March 31, 2023 without regard to covenant compliance calculations or other conditions precedent to borrowing. At March 31, 2023, in accordance with the terms of the UPC Holding Bank Facility, the full €713.4 million of unused borrowing capacity was available to be borrowed, with no additional restriction to make loans or distributions from this availability. Upon completion of the relevant March 31, 2023 compliance reporting requirements, and in accordance with the terms of the UPC Holding Bank Facility, we expect the full amount of unused borrowing capacity will continue to be available. Our above expectations do not consider any actual or potential changes to our borrowing levels or any amounts loaned or

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distributed subsequent to March 31, 2023, or the full 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 €713.4 million under the €736.4 million UPC Revolving Facility, part of which has been made available as an ancillary facility. With the exception of €23.0 million of borrowings under the ancillary facility, the UPC Revolving Facility was undrawn at March 31, 2023.
- (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 as debt on our condensed combined balance sheets. 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-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 the three months ended March 31, 2023 and 2022, 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 were €62.6 million and €17.1 million, respectively. Repayments of vendor financing obligations at the time we pay the financing intermediary 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 March 31, 2023 and December 31, 2022, our debt had an estimated fair value of €5.5 billion and €5.5 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.

Maturities of Debt

Maturities of our debt as of March 31, 2023 are presented below and represent euro equivalents based on March 31, 2023 exchange rates:

	<u>Third-party debt</u>	<u>Related-party debt</u>	<u>Total</u>
	in millions		
Year ending December 31:			
2023 (remainder of year) (a)	€ 193.7	€ —	€ 193.7
2024 (a)	50.0	—	50.0
2025	—	—	—
2026	—	—	—
2027	—	—	—
2028	1,060.1	—	1,060.1
Thereafter	4,535.6	44.0	4,579.6
Total debt maturities (b)	5,839.4	44.0	5,883.4
Deferred financing costs and discounts, net	(22.8)	—	(22.8)
Total debt	€ 5,816.6	€ 44.0	€ 5,860.6
Current portion	€ 243.7	€ —	€ 243.7
Long-term portion	€ 5,572.9	€ 44.0	€ 5,616.9

- (a) Maturities in years 2023 and 2024 represent amounts related to vendor financing obligations.

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- (b) Includes certain senior secured notes issued by third-party special purpose financing entities that are included in our condensed combined financial statements.

Vendor Financing Obligations

A reconciliation of the beginning and ending balances of our vendor financing obligations for the indicated periods is set forth below:

	<u>2023</u>	<u>2022</u>
	<u>in millions</u>	
Balance at January 1	€ 265.7	€ 270.2
Operating-related vendor financing additions	62.6	17.1
Capital-related vendor financing additions	10.6	34.5
Principal payments on operating-related vendor financing	(24.8)	(55.5)
Principal payments on capital-related vendor financing	(70.3)	(6.0)
Foreign currency and other	(0.1)	7.0
Balance at March 31	<u>€ 243.7</u>	<u>€ 267.3</u>

(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:

	<u>March 31, 2023</u>	<u>December 31, 2022</u>
	<u>in millions</u>	
ROU assets:		
Operating leases (a)	€ 936.3	€ 953.4
Finance leases (b)	13.4	14.3
Total ROU assets	<u>€ 949.7</u>	<u>€ 967.7</u>
Lease liabilities:		
Operating leases	€ 959.7	€ 986.5
Finance leases (c)	20.3	17.7
Total lease liabilities	<u>€ 980.0</u>	<u>€ 1,004.2</u>

- (a) At March 31, 2023, the weighted average remaining lease term for operating leases was 13.0 years and the weighted average discount rate was 6.1%. During the three months ended March 31, 2023 and 2022, we recorded non-cash additions to our operating lease ROU assets of €7.6 million and €18.8 million, respectively.

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- (b) Our finance lease ROU assets are included in property and equipment, net, on our condensed combined balance sheets. At March 31, 2023, the weighted average remaining lease term for finance leases was 5.3 years and the weighted average discount rate was 4.8%. During the three months ended March 31, 2023 and 2022, we recorded non-cash additions to our finance lease ROU assets of nil and €0.4 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.

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

	Three months ended March 31,	
	2023	2022
	in millions	
Finance lease expense:		
Depreciation and amortization	€ 0.9	€ 0.5
Interest expense	0.2	0.2
Total finance lease expense	1.1	0.7
Operating lease expense (a)	32.9	33.4
Short-term lease expense (a)	1.0	0.9
Total lease expense	€ 35.0	€ 35.0

- (a) 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:

	Three months ended March 31,	
	2023	2022
	in millions	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflows from operating leases	€ 47.1	€ 47.3
Operating cash outflows from finance leases (interest component)	0.2	0.2
Financing cash outflows from finance leases (principal component)	0.7	2.1
Total cash outflows from operating and finance leases	€ 48.0	€ 49.6

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Maturities of our operating and finance lease liabilities as of March 31, 2023 are presented below and represent euro equivalents based on March 31, 2023 exchange rates:

	<u>Operating leases</u>	<u>Finance leases</u>
	<u>in millions</u>	
Year ending December 31:		
2023 (remainder of year)	€ 93.7	€ 4.5
2024	127.1	6.4
2025	120.4	4.2
2026	113.7	2.2
2027	109.1	2.2
2028	104.3	0.7
Thereafter	735.7	2.2
Total payments	1,404.0	22.4
Less: present value discount	(444.3)	(2.1)
Present value of lease payments	€ 959.7	€ 20.3
Current portion	€ 75.0	€ 4.6
Long-term portion	€ 884.7	€ 15.7

(10) Income Taxes

Income tax benefit attributable to our earnings (loss) from continuing operations before income taxes differs from the amounts computed using the Dutch income tax rate of 25.8%, as a result of the following factors:

	Three months ended March 31,	
	2023	2022
	in millions	
Computed “expected” tax benefit (expense)	€ 22.4	€ (33.6)
International rate differences (a)	(8.0)	(6.6)
Change in valuation allowances	2.2	54.5
Non-deductible or non-taxable interest and other expenses	2.2	0.1
Other, net	(0.2)	0.6
Total income tax benefit	€ 18.6	€ 15.0

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

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(11) Related-party Transactions

Our related-party transactions are as follows:

	Three months ended	
	March 31,	
	2023	2022
	in millions	
Credits (charges) included in:		
Revenue	€ 1.2	€ 0.4
Programming and other direct cost of services	(1.6)	(1.1)
Other operating	(14.8)	(3.9)
SG&A	(2.0)	(4.1)
Allocated share-based compensation expense	(5.0)	(7.9)
Fees and allocations, net:		
Operating and SG&A (exclusive of depreciation and share-based compensation)	(2.9)	(4.3)
Depreciation	—	(17.7)
Share-based compensation	(3.3)	(7.3)
Management fee	(13.4)	(12.1)
Total fees and allocations, net	<u>(19.6)</u>	<u>(41.4)</u>
Included in operating loss	(41.8)	(58.0)
Interest expense	(1.2)	—
Interest income	0.2	0.5
Included in net earnings (loss)	<u>€ (42.8)</u>	<u>€ (57.5)</u>
Property and equipment additions, net	<u>€ 7.0</u>	<u>€ 1.0</u>

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.

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

SG&A expenses. Amounts represent certain charges, which may be cash or loan settled, between other Liberty Global subsidiaries and the UPC Holding Group.

Allocated share-based compensation expense. Amounts are allocated to our company by other 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 other 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 charges 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.

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 additions, 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) CPE 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, (iii) the value of certain internally-developed software technology acquired from other Liberty Global subsidiaries and (iv) used customer premises and network-related equipment acquired from or transferred to other Liberty Global subsidiaries outside of the UPC Holding Group.

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Liberty Global charges certain technology-based fees, including a mark-up, to our company. Prior to January 1, 2023, the portion of the technology-based charge representing the mark-up was reflected as a capital charge for technology-related services in our condensed combined statements of equity. For the three months ended March 31, 2022, the associated mark-up for these technology-based costs resulted in a capital charge of €2.6 million, including amounts related to UPC Polska through the April 1, 2022 closing of the sale.

During the first quarter of 2023, Liberty Global changed the terms related to, and approach to how it reflects the allocation of, charges for products and services that its centrally-managed technology and innovation function provides to our company (the **Tech Framework**). This change was made as a result of internal changes at Liberty Global with respect to the way its chief operating decision maker evaluates the performance of its operating segments. These products and services include CPE hardware and related essential software, maintenance, hosting and other services. As a result, our company now capitalizes the combined cost of the CPE hardware, essential software and related mark-up as property and equipment additions. Charges for other services, including maintenance and hosting, continue to be reported as operating costs in the period incurred.

In connection with the Tech Framework and associated amendment of the existing technology agreement, our company will continue to be charged a technology-related transfer pricing recovery fee over the remaining useful life of the assets placed in service prior to amendment of the existing technology agreement (approximately three years). This recovery fee will be reflected as a capital charge in our condensed combined statements of equity. For the three months ended March 31, 2023, this resulted in a capital charge of €13.3 million.

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

	<u>March 31,</u> <u>2023</u>	<u>December 31,</u> <u>2022</u>
	in millions	
Assets:		
Current receivables (a)	€ 7.1	€ 7.8
LGEF Receivable (b)	—	85.8
Other long-term receivables	—	0.1
Total	<u>€ 7.1</u>	<u>€ 93.7</u>
Liabilities:		
Accounts payable	€ 41.0	€ 16.8
Accrued liabilities	55.8	67.7
Shareholder Loan (c)	44.0	—
Other long-term liabilities	1.5	0.4
Total	<u>€ 142.3</u>	<u>€ 84.9</u>

- (a) Amounts primarily include (i) €4.7 million and €5.4 million, respectively, of receivables due from Liberty Global Corporate B.V. and (ii) €1.0 million and €1.3 million, respectively, of receivables due from Liberty Global Technology Services B.V. These receivables are non-interest bearing, may be cash or loan settled and are included within trade receivables, net and other current assets on our condensed combined balance sheets.
- (b) UPC Holding has a related-party receivable (the **LGEF Receivable**) due from Liberty Global Europe Financing B.V. (**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. The net decrease in the LGEF Receivable during the three months ended March 31, 2023 included (i) cash receipts of €108.6 million, (ii) cash advances of €14.0 million, (iii) a €5.4 million increase related to non-cash settlements, (iv) additions of €0.2 million

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in non-cash accrued interest and (v) a €3.2 million increase related to the non-cash transfer of the net liability balance to the Shareholder Loan (as defined below).

- (c) UPC Holding has an unsecured shareholder loan (the **Shareholder Loan**) with LGE Financing, which, as amended, matures in 2032 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 increase in the Shareholder Loan during the three months ended March 31, 2023 included (a) a €3.2 million increase related to the non-cash transfer of the net liability balance from the LGEF Receivable, (b) cash repayments of €488.9 million, (c) cash borrowings of €479.9 million and (d) a €49.8 million increase related to non-cash settlements.

During the three months ended March 31, 2023 and 2022, we recorded aggregate capital charges of €1.0 million and €5.2 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 Polska through the April 1, 2022 closing of the sale. 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.

(12) Commitments and Contingencies

Commitments

In the normal course of business, we enter into agreements that commit our company to make cash payments in future periods with respect to network and connectivity commitments, programming contracts, purchases of CPE and other equipment and services and other items. The following table sets forth the euro equivalents of such commitments as of March 31, 2023. The commitments included in this table do not reflect any liabilities that are included on our March 31, 2023 condensed combined balance sheet.

	Payments due during:							Total
	Remainder of 2023	2024	2025	2026	2027	2028	Thereafter	
	in millions							
Network and connectivity commitments	€ 88.6	€ 83.9	€ 47.4	€ 39.6	€ 37.3	€ 36.6	€ 199.4	€ 532.8
Programming commitments	25.2	42.3	40.5	38.3	18.5	—	—	164.8
Purchase commitments	55.7	51.1	0.4	—	—	—	—	107.2
Other commitments	25.6	30.6	31.3	28.6	23.3	21.8	77.7	238.9
Total	€ 195.1	€ 207.9	€ 119.6	€ 106.5	€ 79.1	€ 58.4	€ 277.1	€ 1,043.7

Network and connectivity commitments primarily include commitments associated with certain network capacity arrangements.

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

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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 €23.7 million and €13.4 million during the three months ended March 31, 2023 and 2022, respectively.

Purchase commitments include unconditional and legally-binding obligations related to (i) certain service-related commitments, including (a) information technology and maintenance services and (b) call center services, and (ii) the purchase of network, CPE and other equipment.

Other commitments include (i) various sports sponsorships and (ii) outsourced management 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, 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.

Legal Proceedings

Swisscom MVNO Matter. On December 8, 2017, one of our subsidiaries, UPC Schweiz GmbH (now Sunrise GmbH (**Sunrise**)), entered into a mobile virtual network operator (**MVNO**) agreement with Swisscom (Schweiz) AG (**Swisscom**), as subsequently amended (the **Swisscom MVNO**), for the provision of mobile network services to certain of Sunrise's end customers. In January 2023, Swisscom filed a formal lawsuit against Sunrise, asserting that it is in breach of the Swisscom MVNO and claiming approximately CHF 90 million (€91 million) in damages. No amounts have been accrued by us with respect to this matter, as the likelihood of loss is not considered to be probable at this stage. We believe the assertions in this claim are unsupported and/or exaggerated and intend to vigorously defend this matter.

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. 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

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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 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 extinguishment of debt, net foreign currency gains (losses), net gains (losses) on derivative instruments, net 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 March 31, 2023, our reportable segments are as follows:

- Switzerland
- Central and Other

Our “**Central and Other**” category primarily includes (i) our operations in Slovakia, (ii) certain centralized functions and (iii) intersegment eliminations, when applicable.

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

Performance Measures of Our Reportable Segments

	Revenue	
	Three months ended March 31,	
	2023	2022
	in millions	
Switzerland	€ 752.5	€ 731.6
Central and Other	12.0	11.1
Total	€ 764.5	€ 742.7

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	Segment Adjusted EBITDA	
	Three months ended	
	March 31,	
	2023	2022
in millions		
Switzerland	€ 245.1	€ 268.3
Central and Other	4.5	3.8
Total	€ 249.6	€ 272.1

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

	Three months ended	
	March 31,	
	2023	2022
in millions		
Earnings (loss) from continuing operations	€ (68.2)	€ 145.3
Income tax benefit	(18.6)	(15.0)
Other income, net	(3.7)	(9.5)
Foreign currency transaction losses (gains), net	(15.6)	1.1
Realized and unrealized losses (gains) on derivative instruments, net	3.0	(196.2)
Interest expense	87.1	61.9
Operating loss	(16.0)	(12.4)
Impairment, restructuring and other operating items, net	0.4	0.8
Depreciation and amortization	240.6	234.4
Related-party fees and allocations, net	19.6	41.4
Share-based compensation expense	5.0	7.9
Segment Adjusted EBITDA	€ 249.6	€ 272.1

Property and Equipment Additions of our Reportable Segments

The property and equipment additions of our reportable segments (including capital additions financed under capital-related 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 7 and 9, respectively.

	Three months ended	
	March 31,	
	2023	2022
in millions		
Switzerland	€ 138.6	127.8
Central and Other	1.7	2.4
Total property and equipment additions	140.3	130.2
Assets acquired under capital-related vendor financing arrangements	(10.6)	(34.5)
Assets acquired under finance leases	—	(0.4)
Changes in current liabilities related to capital expenditures (including related-party amounts)	(10.0)	24.3
Total capital expenditures, net	€ 119.7	€ 119.6

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Revenue by Major Category

Our revenue by major category is set forth below:

	Three months ended	
	March 31,	
	2023	2022
	in millions	
Residential revenue:		
Residential fixed revenue (a):		
Subscription revenue (b):		
Broadband internet	€ 142.6	€ 137.7
Video	114.7	116.5
Fixed-line telephony	34.4	36.8
Total subscription revenue	<u>291.7</u>	<u>291.0</u>
Non-subscription revenue	1.5	4.6
Total residential fixed revenue	<u>293.2</u>	<u>295.6</u>
Residential mobile revenue (c):		
Subscription revenue (b)	221.3	210.7
Non-subscription revenue	86.3	86.1
Total residential mobile revenue	<u>307.6</u>	<u>296.8</u>
Total residential revenue	<u>600.8</u>	<u>592.4</u>
B2B revenue (d):		
Subscription revenue	32.2	29.4
Non-subscription revenue	110.9	106.3
Total B2B revenue	<u>143.1</u>	<u>135.7</u>
Other revenue (e)	<u>20.6</u>	<u>14.6</u>
Total	<u>€ 764.5</u>	<u>€ 742.7</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 handsets and other devices.
- (d) B2B subscription revenue represents revenue from (i) services provided to 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, fixed-line and mobile services on a wholesale basis, to other operators.

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(e) Other revenue primarily includes broadcasting revenue in Switzerland.

Geographic Segments

The revenue of our geographic segments is set forth below:

	Three months ended March 31,	
	2023	2022
	in millions	
Switzerland	€ 752.5	€ 731.6
Slovakia	12.4	11.5
Other, including intersegment eliminations	(0.4)	(0.4)
Total	€ 764.5	€ 742.7

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 2022 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 months ended March 31, 2023 and 2022.
- *Material Changes in Financial Condition.* This section provides an analysis of our liquidity and our condensed combined statements of cash flows.

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 March 31, 2023.

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, our property and equipment additions, subscriber growth and retention rates, competitive, regulatory and economic factors, the timing and impacts of proposed transactions, the maturity of our markets, 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 and 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, as a result of, among other things, inflationary pressures;
- changes in consumer television viewing and mobile and broadband usage preferences and habits;
- consumer acceptance of our existing service offerings, including our broadband internet, video, fixed-line telephony, mobile and business service offerings, and of new technology, programming alternatives and other products and services that we may offer in the future;
- our ability to manage rapid technological changes and the rate at which our current technology becomes obsolete;

- our ability to maintain or increase the number of subscriptions to our broadband internet, video, 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 as a result of, among other things, inflationary pressures;
- 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 and legislation 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, monetary policies and government regulations that may impact the availability or cost of capital and the derivative instruments that hedge certain of our financial risks;
- the ability of suppliers and vendors 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 production costs, 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;
- the availability and cost of capital for the acquisition and/or development of telecommunications networks and services;
- the availability, cost and regulation of spectrum;
- problems we may discover post-closing with the operations, including the internal controls and financial reporting processes, of businesses we acquire;
- successfully integrating businesses or operations that we acquire or partner with on the timelines or within the budgets estimated for such integrations;
- operating costs, customer loss and business disruption, including maintaining relationships with employees, customers, suppliers or vendors may be greater than expected in connection with our acquisitions and dispositions;
- our ability to realize the expected synergies from our acquisitions in the amounts anticipated or on the anticipated timelines;
- our ability to protect against, mitigate and contain loss of our and our customers' data as a result of cyber attacks on us;
- 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;
- our capital structure and factors related to our debt arrangements;

- changes in the nature of key strategic relationships with partners; 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, including the ongoing invasion of Ukraine by Russia.

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.

Through March 31, 2022, we provided residential and B2B communications services in Poland. On April 1, 2022, UPC Poland completed the sale of UPC Polska. Accordingly, UPC Polska is reflected as a discontinued operation for all applicable periods. 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 sale of UPC Polska, see note 4 to our condensed combined financial statements.

Operations

At March 31, 2023, our continuing operations owned and operated networks that passed 3,314,500 homes and served 1,680,600 fixed-line customers and 2,790,600 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 the fixed-line customers and ARPU of our reportable segments, see *Discussion and Analysis of our Reportable Segments* below.

We are subject to inflationary pressures with respect to labor, programming and other operating costs, including energy costs. In this regard, inflation rates in the countries in which we operate have increased, and in most countries such increases have been significant. While we attempt to increase our revenue to offset increases in costs, there is no assurance that we will be able to do so. Therefore, costs could rise faster than associated revenue, thereby resulting in a negative impact on our operating results, cash flows and liquidity. The economic environment in the respective countries in which we operate is a function of government, economic, fiscal and monetary policies and various other factors beyond our control that could lead to further inflation. We are unable to predict the extent that price levels might be impacted in future periods by the current state of the economies in the countries in which we operate.

Material Changes in Results of Operations

The comparability of our operating results is affected by acquisitions and dispositions. In the following discussion, we quantify the estimated impact of material acquisitions (the **Acquisition Impact**) and dispositions 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 Switzerland, our primary operating segment, has the Swiss franc as its functional currency. During the three months ended March 31, 2023, our main exposure to foreign exchange (FX) risk was to the Swiss franc, as 98.4% of our euro revenue during such period was derived from our operations in Switzerland. 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. 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 months ended March 31, 2023 and 2022. 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-period rate during all periods presented. We also provide a table showing the Segment Adjusted EBITDA margins of our combined reportable segments for the three months ended March 31, 2023 and 2022 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	
	March 31,	
	2023	2022
	in millions	
Earnings (loss) from continuing operations	€ (68.2)	€ 145.3
Income tax benefit	(18.6)	(15.0)
Other income, net	(3.7)	(9.5)
Foreign currency transaction losses (gains), net	(15.6)	1.1
Realized and unrealized losses (gains) on derivative instruments, net	3.0	(196.2)
Interest expense	87.1	61.9
Operating loss	(16.0)	(12.4)
Impairment, restructuring and other operating items, net	0.4	0.8
Depreciation and amortization	240.6	234.4
Related-party fees and allocations, net	19.6	41.4
Share-based compensation expense	5.0	7.9
Segment Adjusted EBITDA	<u>€ 249.6</u>	<u>€ 272.1</u>

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 March 31,		Increase		Organic increase (decrease)
	2023	2022	€	%	%
	in millions, except percentages				
Switzerland	€ 752.5	€ 731.6	€ 20.9	2.9	(1.8)
Central and Other	12.0	11.1	0.9	8.1	8.1
Total	€ 764.5	€ 742.7	€ 21.8	2.9	(1.7)

Switzerland. The details of the increase in Switzerland's revenue during the three months ended March 31, 2023, as compared to the corresponding period in 2022, are set forth below:

	Subscription revenue	Non- subscription revenue	Total
	in millions		
Increase (decrease) in residential fixed subscription revenue due to change in:			
Average number of customers	€ 3.3	€ —	€ 3.3
ARPU	(17.4)	—	(17.4)
Decrease in residential fixed non-subscription revenue	—	(3.2)	(3.2)
Total decrease in residential fixed revenue	(14.1)	(3.2)	(17.3)
Increase (decrease) in residential mobile revenue (a)	1.2	(3.5)	(2.3)
Increase (decrease) in B2B revenue	1.3	(0.3)	1.0
Increase in other revenue (b)	—	5.1	5.1
Total organic decrease	(11.6)	(1.9)	(13.5)
Impact of acquisitions	2.3	—	2.3
Impact of FX	23.1	9.0	32.1
Total	€ 13.8	€ 7.1	€ 20.9

(a) The decrease in residential mobile non-subscription revenue is primarily attributable to (i) a decrease in revenue from handset sales and (ii) lower interconnect revenue.

(b) The increase in other revenue is primarily attributable to higher broadcasting revenue.

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 March 31,		Increase		Organic increase
	2023	2022	€	%	%
	in millions, except percentages				
Switzerland	€ 245.4	€ 233.7	€ 11.7	5.0	2.4
Central and Other	2.4	2.1	0.3	14.3	14.3
Total	€ 247.8	€ 235.8	€ 12.0	5.1	2.5

Our programming and other direct costs of services increased €12.0 million or 5.1% during the three months ended March 31, 2023, as compared to the corresponding period in 2022. On an organic basis, our programming and other direct costs of services increased €5.7 million or 2.5%. This increase includes higher programming and copyright costs of €1.2 million or 3.4%, attributable to higher costs for certain premium and/or basic content, primarily in Switzerland.

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 March 31,		Increase		Organic increase
	2023	2022	€	%	%
	in millions, except percentages				
Switzerland	€ 119.7	€ 98.8	€ 20.9	21.2	3.2
Central and Other	2.8	2.8	—	—	—
Total	€ 122.5	€ 101.6	€ 20.9	20.6	3.2

Our other operating expenses increased €20.9 million or 20.6% during the three months ended March 31, 2023, as compared to the corresponding period in 2022. On an organic basis, our other operating expenses increased €3.7 million or 3.2%. This increase includes the following factors:

- A decrease in personnel costs of €4.5 million or 11.6%, primarily due to a decrease in Switzerland related to the net effect of (i) higher average costs per employee, (ii) a decrease in staffing levels and (iii) lower costs due to higher capitalizable activities; and
- An increase in core network and information technology-related costs of €1.9 million or 8.9%, primarily due to higher information technology-related expenses in Switzerland.

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 March 31,		Increase (decrease)		Organic increase (decrease)
	2023	2022	€	%	%
	in millions, except percentages				
Switzerland	€ 142.3	€ 130.8	€ 11.5	8.8	2.5
Central and Other	2.3	2.4	(0.1)	(4.2)	(4.2)
Total SG&A expenses excluding share-based compensation expense	144.6	133.2	11.4	8.6	2.3
Share-based compensation expense	5.0	7.9	(2.9)	N.M.	
Total	€ 149.6	€ 141.1	€ 8.5	6.0	

N.M. — Not Meaningful.

Our SG&A expenses (exclusive of share-based compensation expense) increased €11.4 million or 8.6% during the three months ended March 31, 2023, as compared to the corresponding period in 2022. On an organic basis, our SG&A expenses increased €3.1 million or 2.3%. This increase includes the following factors:

- An increase in external sales and marketing costs of €6.1 million or 15.6%, primarily due to higher costs associated with advertising campaigns in Switzerland;
- An increase in business service costs of €4.5 million or 40.2%, primarily due to an increase in Switzerland related to higher (i) consulting costs and (ii) energy costs;
- A decrease in personnel costs of €2.9 million or 4.9%, primarily due to lower average costs per employee in Switzerland; and
- A decrease in core network and information technology-related costs of €2.9 million or 30.6%, primarily due to lower 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 table sets forth the Segment Adjusted EBITDA of our reportable segments:

	Three months ended March 31,		Increase (decrease)		Organic increase (decrease)
	2023	2022	€	%	%
	in millions, except percentages				
Switzerland	€ 245.1	€ 268.3	€ (23.2)	(8.6)	(9.9)
Central and Other	4.5	3.8	0.7	18.4	18.4
Total	€ 249.6	€ 272.1	€ (22.5)	(8.3)	(9.5)

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 March 31,	
	2023	2022
Switzerland	32.6 %	36.7 %
Central and Other	37.5 %	34.2 %

In addition to organic changes in the revenue, operating and SG&A expenses of our reportable segments, the Segment Adjusted EBITDA margins presented above include the impact of acquisitions, as applicable. 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 March 31,		Increase (decrease)		Organic increase (decrease)
	2023	2022	€	%	%
in millions, except percentages					
Residential revenue:					
Residential fixed revenue (a):					
Subscription revenue (b):					
Broadband internet	€ 142.6	€ 137.7	€ 4.9	3.6	(1.0)
Video	114.7	116.5	(1.8)	(1.5)	(7.0)
Fixed-line telephony	34.4	36.8	(2.4)	(6.5)	(11.0)
Total subscription revenue	291.7	291.0	0.7	0.2	(5.0)
Non-subscription revenue	1.5	4.6	(3.1)	(67.4)	(70.0)
Total residential fixed revenue	293.2	295.6	(2.4)	(0.8)	(6.0)
Residential mobile revenue (c):					
Subscription revenue (b)	221.3	210.7	10.6	5.0	1.0
Non-subscription revenue	86.3	86.1	0.2	0.2	(4.0)
Total residential mobile revenue	307.6	296.8	10.8	3.6	(1.0)
Total residential revenue	600.8	592.4	8.4	1.4	(3.0)
B2B revenue (d):					
Subscription revenue	32.2	29.4	2.8	9.5	4.0
Non-subscription revenue	110.9	106.3	4.6	4.3	0.3
Total B2B revenue	143.1	135.7	7.4	5.5	1.0
Other revenue (e)	20.6	14.6	6.0	41.1	35.0
Total	€ 764.5	€ 742.7	€ 21.8	2.9	(1.7)

- (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 €17.2 million and €17.7 million during the three months ended March 31, 2023 and 2022, 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 change 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 and large enterprises and, fixed-line and mobile services on a wholesale basis, to other operators.
- (e) Other revenue primarily includes broadcasting revenue in Switzerland.

Total revenue. Our combined revenue increased €21.8 million or 2.9% during the three months ended March 31, 2023, as compared to the corresponding period in 2022. On an organic basis, our combined revenue decreased \$12.6 million or 1.7%.

Residential revenue. The details of the increase in our combined residential revenue during the three months ended March 31, 2023, as compared to the corresponding period in 2022, are as follows (in millions):

Increase (decrease) in residential fixed subscription revenue due to change in:	
Average number of customers	€ 2.2
ARPU	(16.0)
Decrease in residential fixed non-subscription revenue	(3.2)
Total decrease in residential fixed revenue	(17.0)
Increase in residential mobile subscription revenue	1.2
Decrease in residential mobile non-subscription revenue	(3.5)
Total organic decrease in residential revenue	(19.3)
Impact of acquisitions	2.2
Impact of FX	25.5
Total increase in residential revenue	€ 8.4

On an organic basis, our combined residential fixed subscription revenue decreased €13.8 million or 5.0% during the three months ended March 31, 2023, as compared to the corresponding period in 2022.

On an organic basis, our combined residential fixed non-subscription revenue decreased €3.2 million or 70.0% during the three months ended March 31, 2023, as compared to the corresponding period in 2022.

On an organic basis, our combined residential mobile subscription revenue increased €1.2 million or 1.0% during the three months ended March 31, 2023, as compared to the corresponding period in 2022.

On an organic basis, our combined residential mobile non-subscription revenue decreased €3.5 million or 4.0% during the three months ended March 31, 2023, as compared to the corresponding period in 2022.

B2B revenue. On an organic basis, our combined B2B subscription revenue increased €1.3 million or 4.0% during the three months ended March 31, 2023, as compared to the corresponding period in 2022.

On an organic basis, our combined B2B non-subscription revenue increased €0.3 million or 0.3% during the three months ended March 31, 2023, as compared to the corresponding period in 2022.

Other revenue. On an organic basis, our combined other revenue increased \$5.1 million or 35.0% during the three months ended March 31, 2023, as compared to the corresponding period in 2022.

For additional information regarding the changes in our residential, B2B and other 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 €12.0 million or 5.1% during the three months ended March 31, 2023, as compared to the corresponding period in 2022. On an organic basis, our programming and other direct costs of services increased €5.7 million or 2.5%. 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 €20.9 million or 20.6% during the three months ended March 31, 2023, as compared to the corresponding period in 2022. On an organic basis, our other operating expenses increased €3.7 million or 3.2%. For additional information regarding the changes in our other operating expenses, see *Discussion and Analysis of our Reportable Segments — Other Operating Expenses of our Reportable Segments* above.

SG&A expenses

Our SG&A expenses increased €8.5 million or 6.0% during the three months ended March 31, 2023, as compared to the corresponding period in 2022. Our SG&A expenses include share-based compensation expense, which decreased €2.9 million. Excluding share-based compensation, on an organic basis our SG&A expenses increased €3.1 million or 2.3%. 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 €19.6 million and €41.4 million during the three months ended March 31, 2023 and 2022, 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 note 11 to our condensed combined financial statements.

Depreciation and amortization expense

Our depreciation and amortization expense was €240.6 million and €234.4 million during the three months ended March 31, 2023 and 2022, respectively. Excluding the effects of FX, depreciation and amortization expense decreased €4.0 million or 1.7% during the three months ended March 31, 2023, as compared to the corresponding period in 2022. This decrease is primarily due to changes in Switzerland, including the net effect of (i) a decrease associated with certain assets becoming fully depreciated and (ii) an increase associated with property and equipment additions related to the installation of CPE, the expansion and upgrade of our networks and other capital initiatives.

Impairment, restructuring and other operating items, net

We recognized impairment, restructuring and other operating items, net, of €0.4 million and €0.8 million during the three months ended March 31, 2023 and 2022, respectively.

Interest expense

Our interest expense increased €25.2 million during the three months ended March 31, 2023, as compared to the corresponding period in 2022. This increase includes an increase of €24.0 million related to third-party interest expense, primarily attributable to a higher weighted average interest rate, partially offset by a lower average outstanding debt balance. 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) announced that measures would need to be undertaken by the end of 2021 to reform EURIBOR to ensure compliance with the 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 CHF and GBP LIBOR rates, it ceased to publish after December 31, 2021. Furthermore, in November 2022, the U.K. Financial Conduct Authority proposed that certain tenors of USD LIBOR would continue to be published on a synthetic basis until the end of September 2024. 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, there is no consensus amongst loan borrowers and investors for what rate(s) should replace USD LIBOR.

In October 2020, the International Swaps and Derivatives Association (the **ISDA**) launched the Fallback Supplement, which, as of January 25, 2021, amended the standard definitions for interest rate derivatives to incorporate fallbacks for derivatives linked to certain key interbank offered rates (**IBORs**). The ISDA also launched the Fallback Protocol, a protocol 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 apply following a permanent cessation of the IBOR in that currency, or in the case of an IBOR setting, that IBOR setting becoming permanently unrepresentative, and are adjusted versions of the risk-free rates identified in each currency. Our credit agreements 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 credit agreements 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 from any new reference rate that applies to our LIBOR-indexed or EURIBOR-indexed derivative instruments. For discontinued currencies and tenors, we expect to continue taking steps to mitigate the changes in these benchmark rates, including by amending existing credit agreements and adhering to the Fallback Protocol, where appropriate. We plan to continue to manage 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 our 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 March 31,	
	2023	2022
in millions		
Cross-currency and interest rate derivative contracts (a)	€ (1.8)	€ 164.4
Foreign currency forward and option contracts	(1.2)	31.8
Total	€ (3.0)	€ 196.2

- (a) The loss for the 2023 period is primarily attributable to the net effect of (i) a net loss associated with changes in the relative value of certain currencies and (ii) a net gain associated with changes in certain market interest rates. In addition, the loss for the 2023 period includes a net loss of €23.4 million resulting from changes in our credit risk valuation adjustments. The gain for the 2022 period is attributable to net gains associated with changes in (a) certain market interest rates and (b) the relative value of certain currencies. In addition, the gain for the 2022 period includes a net gain of €7.7 million 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 March 31,	
	2023	2022
in millions		
U.S. dollar-denominated debt issued by euro functional currency entities	€ 56.2	€ (106.4)
Intercompany payables and receivables denominated in a currency other than the entity's functional currency (a)	(40.6)	107.9
Other	—	(2.6)
Total	€ 15.6	€ (1.1)

- (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.

Income tax benefit

We recognized income tax benefit of €18.6 million and €15.0 million during the three months ended March 31, 2023 and 2022, respectively.

The income tax benefit for the three months ended March 31, 2023 differs from the expected income tax benefit of €22.4 million, (based on the Dutch statutory income tax rate of 25.8%), primarily due to the net negative impact of statutory tax rates in certain jurisdictions in which we operate that differ from the Dutch income tax rate, partially offset by the positive impact of (i) a decrease in valuation allowances and (ii) certain permanent differences between the financial and tax accounting treatment of interest and other items.

The income tax benefit for the three months ended March 31, 2022 differs from the expected income tax expense of €33.6 million (based on the Dutch statutory income tax rate of 25.8%), primarily due to the positive impact of a decrease 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 March 31, 2023 and 2022, we reported earnings (loss) from continuing operations of (€68.2 million) and €145.3 million, respectively, consisting of (i) operating loss of €16.0 million and €12.4 million, respectively, (ii) net non-operating income (expense) of (€70.8 million) and €142.7 million, respectively, and (iii) income tax benefit of €18.6 million and €15.0 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 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 from discontinued operations, net of taxes

We reported earnings from discontinued operations, net of taxes, of €16.3 million during the three months ended March 31, 2022 related to the results of UPC Polska. 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 €5.3 million of combined cash and cash equivalents at March 31, 2023. 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 March 31, 2023, 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 March 31, 2023 condensed combined balance sheet. In this regard, we have significant commitments related to (a) certain operating costs associated with our networks, (b) programming, studio output and sports rights contracts and (c) purchase obligations associated with CPE and certain service-related commitments. These obligations are expected to represent a significant liquidity requirement of our combined operating entities, a significant portion 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 March 31, 2023, 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 March 31, 2023, the outstanding principal amount of our combined third-party debt, together with the present value of our finance lease obligations, aggregated €5.9 billion, including €0.2 billion that is classified as current on our condensed combined balance sheet and €4.5 billion that is not due until 2029 or thereafter.

Notwithstanding our negative working capital position at March 31, 2023, 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, 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 March 31, 2023.

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. The condensed combined statements of cash flows of our continuing operations for the three months ended March 31, 2023 and 2022 are summarized as follows:

	Three months ended March 31,		Change
	2023	2022	
	in millions		
Net cash provided by operating activities	€ 192.6	€ 349.8	€ (157.2)
Net cash used by investing activities	(93.4)	(22.0)	(71.4)
Net cash used by financing activities	(99.5)	(222.9)	123.4
Effect of exchange rate changes on cash and cash equivalents and restricted cash	3.1	(1.3)	4.4
Net increase in cash and cash equivalents and restricted cash	<u>€ 2.8</u>	<u>€ 103.6</u>	<u>€ (100.8)</u>

Operating Activities. The decrease in net cash provided by our operating activities is primarily attributable to the net effect of (i) a decrease in cash provided by our Segment Adjusted EBITDA and related working capital items, (ii) an increase in cash provided due to higher net cash receipts related to derivative instruments and (iii) a decrease in cash provided due to higher payments of interest. 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 due to increases in (i) cash used of €68.3 million associated with higher net cash paid for acquisitions and (ii) cash used of €41.7 million due to lower repayments from 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, 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 or 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:

	Three months ended March 31,	
	2023	2022
in millions		
Property and equipment additions	€ 140.3	€ 130.2
Assets acquired under capital-related vendor financing arrangements	(10.6)	(34.5)
Assets acquired under finance leases	—	(0.4)
Changes in current liabilities related to capital expenditures (including related-party amounts)	(10.0)	24.3
Total capital expenditures, net	€ 119.7	€ 119.6

The increase in our property and equipment additions during the three months ended March 31, 2023, as compared to the corresponding period in 2022, is primarily attributable to the net effect of (i) an increase due to FX and (ii) a decrease in local currency expenditures of our combined entities, primarily due to decreases in (a) baseline expenditures, including network improvements and expenditures for property and facilities and information technology systems, (b) expenditures to support new customer products and operational efficiency initiatives, (c) expenditures for new build and upgrade projects and (d) expenditures for the purchase and installation of CPE.

Financing Activities. The decrease in net cash used by our financing activities is primarily attributable to the net effect of (i) a decrease in cash used of €159.4 million due to lower net repayments of related-party debt, (ii) an increase in cash used of €49.3 million due to higher net payments related to derivative instruments and (iii) a decrease in cash used of €11.9 million due to lower net repayments of vendor financing.

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 March 31, 2023. 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 2023	2024	2025	2026	2027	2028	Thereafter	
in millions								
Projected derivative cash payments (receipts), net:								
Interest-related (a)	€ (77.4)	€ (141.7)	€ (142.6)	€ (121.3)	€ (110.1)	€ (103.4)	€ (48.3)	€ (744.8)
Principal-related (b)	—	—	109.3	46.3	—	7.7	68.7	232.0
Other (c)	(0.6)	—	—	—	—	—	—	(0.6)
Total	€ (78.0)	€ (141.7)	€ (33.3)	€ (75.0)	€ (110.1)	€ (95.7)	€ 20.4	€ (513.4)

(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:

	March 31, 2023	December 31, 2022
Spot rates:		
Swiss franc	0.9933	0.9874
Polish zloty	4.6785	4.6790
	Three months ended March 31,	
	2023	2022
Average rates:		
Swiss franc	0.9928	1.0372
Polish zloty	4.7097	4.6160

Inflation Risk

We are subject to inflationary pressures with respect to labor, programming and other costs. In this regard, inflation rates in the countries in which we operate have recently increased, and in many countries such increases have been significant. While we attempt to increase our revenue to offset increases in costs, there is no assurance that we will be able to do so. Therefore, costs could rise faster than associated revenue, thereby resulting in a negative impact on our operating results, cash flows and liquidity. The economic environment in the respective countries in which we operate is a function of government, fiscal and monetary policies and various other factors beyond our control that could lead to inflation. We are unable to predict the extent that price levels might be impacted in future periods by the current state of the economies in the countries in which we operate.