



The Sunrise Holding Group

**Condensed Combined Financial Statements
March 31, 2024**

The Sunrise Holding Group

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The Sunrise Holding Group
CONDENSED COMBINED BALANCE SHEETS
(unaudited)

	March 31, 2024	December 31, 2023
ASSETS		
in millions		
Current assets:		
Cash and cash equivalents	€ 14.8	€ 6.0
Trade receivables, net (notes 3 and 10)	440.8	421.7
Related-party receivables (note 10)	5.8	6.6
Derivative instruments (note 4)	260.9	255.2
Prepaid expenses	103.2	139.1
Other current assets (note 3)	215.5	262.3
Total current assets	1,041.0	1,090.9
Related-party receivables (note 10)	49.6	159.3
Property and equipment, net (notes 6 and 8)	2,655.1	2,787.6
Goodwill (note 6)	6,239.2	6,535.6
Intangible assets subject to amortization, net (note 6)	1,099.4	1,247.2
Operating lease right-of-use (ROU) assets (note 8)	1,423.7	949.8
Other assets, net (notes 3, 4 and 10)	295.2	487.6
Total assets	€ 12,803.2	€ 13,258.0

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

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

	March 31, 2024	December 31, 2023
	in millions	
LIABILITIES AND COMBINED EQUITY		
Current liabilities:		
Accounts payable (note 10).....	€ 202.4	€ 286.5
Deferred revenue (note 3).....	133.1	72.7
Derivative instruments (note 4).....	116.6	193.5
Current portion of debt and finance lease obligations (notes 7 and 8).....	305.9	346.3
Current operating lease liabilities (note 8).....	100.5	74.6
Accrued capital expenditures.....	78.5	72.9
Other accrued and current liabilities:		
Third-party.....	477.9	576.5
Related-party (note 10).....	41.5	53.3
Total current liabilities	1,456.4	1,676.3
Long-term debt and finance lease obligations (notes 7 and 8).....	5,623.0	5,530.9
Derivative instruments (note 4).....	508.0	813.2
Long-term operating lease liabilities (note 8).....	1,134.7	879.6
Other long-term liabilities (notes 3 and 10).....	288.4	334.3
Total liabilities	9,010.5	9,234.3
Commitments and contingencies (notes 4, 7, 8, 9 and 11)		
Combined equity:		
Parent entities:		
Contributions and accumulated earnings in excess of distributions.....	2,675.1	2,816.3
Accumulated other comprehensive earnings, net of taxes.....	1,095.4	1,185.1
Total combined equity attributable to parent entities	3,770.5	4,001.4
Noncontrolling interests.....	22.2	22.3
Total combined equity	3,792.7	4,023.7
Total liabilities and combined equity	€ 12,803.2	€ 13,258.0

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

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

**Three months ended
March 31,**

2024 2023

in millions

Revenue (notes 3, 10 and 12)	€ 797.9	€ 764.5
Operating costs and expenses (exclusive of depreciation and amortization, shown separately below):		
Programming and other direct costs of services (notes 8 and 10)	258.2	247.8
Other operating (notes 8 and 10)	127.0	122.5
Selling, general and administrative (SG&A) (notes 8 and 10)	156.5	149.6
Related-party fees and allocations, net (note 10)	6.3	19.6
Depreciation and amortization	241.6	240.6
Impairment, restructuring and other operating items, net (note 8)	(0.1)	0.4
	<u>789.5</u>	<u>780.5</u>
Operating income (loss)	8.4	(16.0)
Non-operating income (expense):		
Interest expense (note 10)	(99.5)	(87.1)
Realized and unrealized gains (losses) on derivative instruments, net (note 4)	397.5	(3.0)
Foreign currency transaction gains (losses), net	(452.0)	15.6
Other income, net (note 10)	8.1	3.7
	<u>(145.9)</u>	<u>(70.8)</u>
Loss before income taxes	(137.5)	(86.8)
Income tax benefit (note 9)	7.4	18.6
Net loss	(130.1)	(68.2)
Net earnings attributable to noncontrolling interests	(1.0)	(1.0)
Net loss attributable to parent entities	<u>€ (131.1)</u>	<u>€ (69.2)</u>

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

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

	Three months ended March 31,	
	2024	2023
	in millions	
Net loss	€ (130.1)	€ (68.2)
Other comprehensive loss, net of taxes:		
Foreign currency translation adjustments	(100.6)	(14.9)
Pension-related adjustments and other	10.9	(0.4)
Other comprehensive loss	(89.7)	(15.3)
Comprehensive loss	(219.8)	(83.5)
Comprehensive earnings attributable to noncontrolling interests	(1.0)	(1.0)
Comprehensive loss attributable to parent entities	€ (220.8)	€ (84.5)

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

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

	Parent entities			Non-controlling interests	Total combined equity
	Contributions and accumulated earnings in excess of distributions	Accumulated other comprehensive earnings, net of taxes	Total combined equity attributable to parent entities		
	in millions				
Balance at January 1, 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 10)	(13.3)	—	(13.3)	—	(13.3)
Share-based compensation (note 10)	3.4	—	3.4	—	3.4
Capital charge in connection with the exercise or vesting of share-based incentive awards (note 10) ...	(1.0)	—	(1.0)	—	(1.0)
Other, net	0.2	—	0.2	(0.1)	0.1
Balance at March 31, 2023	€ 3,107.8	€ 1,093.8	€ 4,201.6	€ 18.7	€ 4,220.3

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

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

	Parent entities			Non- controlling interests	Total combined equity
	Contributions and accumulated earnings in excess of distributions	Accumulated other comprehensive earnings, net of taxes	Total combined equity attributable to parent entities		
	in millions				
Balance at January 1, 2024	€ 2,816.3	€ 1,185.1	€ 4,001.4	€ 22.3	€ 4,023.7
Net loss	(131.1)	—	(131.1)	1.0	(130.1)
Other comprehensive loss, net of taxes	—	(89.7)	(89.7)	—	(89.7)
Technology-related transfer pricing recovery fee (note 10)	(8.0)	—	(8.0)	—	(8.0)
Capital charge in connection with the exercise or vesting of share-based incentive awards (note 10) ..	(6.7)	—	(6.7)	—	(6.7)
Share-based compensation (note 10)	3.9	—	3.9	—	3.9
Other, net	0.7	—	0.7	(1.1)	(0.4)
Balance at March 31, 2024	€ 2,675.1	€ 1,095.4	€ 3,770.5	€ 22.2	€ 3,792.7

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

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

**Three months ended
March 31,**

2024 2023

in millions

Cash flows from operating activities:		
Net loss	€ (130.1)	€ (68.2)
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:		
Share-based compensation expense	5.2	5.0
Related-party fees and allocations, net	6.3	19.6
Depreciation and amortization	241.6	240.6
Impairment, restructuring and other operating items, net	(0.1)	0.4
Realized and unrealized losses (gains) on derivative instruments, net	(397.5)	3.0
Foreign currency transaction losses (gains), net	452.0	(15.6)
Deferred income tax benefit	(8.6)	(19.0)
Changes in operating assets and liabilities, net of the effects of acquisitions and dispositions ...	(51.7)	26.8
Net cash provided by operating activities	117.1	192.6
Cash flows from investing activities:		
Capital expenditures, net	(140.3)	(119.7)
Repayments from related parties, net	213.8	94.6
Cash paid in connection with acquisitions, net of cash acquired	(2.9)	(68.3)
Net cash provided (used) by investing activities	€ 70.6	€ (93.4)

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

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

	Three months ended	
	March 31,	
	2024	2023
	in millions	
Cash flows from financing activities:		
Repayments of related-party debt, net	€ (136.3)	€ (9.0)
Operating-related vendor financing additions	58.2	62.6
Repayments and repurchases of third-party debt and finance lease obligations:		
Principal payments on operating-related vendor financing	(83.7)	(24.8)
Principal payments on capital-related vendor financing	(12.3)	(70.3)
Principal payments on finance leases	(2.9)	(0.7)
Net cash paid related to derivative instruments	—	(57.3)
Net cash used by financing activities	(177.0)	(99.5)
Effect of exchange rate changes on cash and cash equivalents and restricted cash	(1.3)	3.1
Net increase in cash and cash equivalents and restricted cash	9.4	2.8
Cash and cash equivalents and restricted cash:		
Beginning of period	7.5	3.5
End of period	€ 16.9	€ 6.3
Cash paid for interest – third-party	€ 124.0	€ 124.6
Net cash paid for taxes	€ 1.3	€ 0.6
Details of end of period cash and cash equivalents and restricted cash:		
Cash and cash equivalents	€ 14.8	€ 5.3
Restricted cash included in other assets, net	2.1	1.0
Total cash and cash equivalents and restricted cash	€ 16.9	€ 6.3

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

The Sunrise Holding Group
Notes to Condensed Combined Financial Statements
March 31, 2024
(unaudited)

(1) Basis of Presentation

Sunrise HoldCo IV B.V. (**Sunrise HoldCo IV**), UPC Slovakia Holding I B.V. (**UPC Slovakia Holding**) and Liberty Global Finance II (UK) Limited (**LG Finance II**) are wholly-owned subsidiaries of Liberty Global Ltd. (**Liberty Global**). The accompanying condensed combined financial statements include the historical financial information of Sunrise HoldCo IV and its subsidiaries (**Sunrise**), UPC Slovakia Holding and its subsidiaries (**UPC Slovakia**) and LG Finance II (collectively, the **Sunrise Holding Group**).

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

Our operations comprise businesses that provide residential and business-to-business (**B2B**) communications services in Switzerland, through “Sunrise” and Slovakia, through “UPC Slovakia”.

Liberty Global announced its intention to spin-off our operations at Sunrise, together with certain other Liberty Global subsidiaries, which is expected to close during the fourth quarter of 2024.

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 2023 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, convenience translations into euros are calculated as of March 31, 2024.

These unaudited condensed combined financial statements reflect our consideration of the accounting and disclosure implications of subsequent events through May 16, 2024, the date of issuance.

The Sunrise Holding Group
Notes to Condensed Combined Financial Statements — (Continued)
March 31, 2024
(unaudited)

(2) Recent Accounting Pronouncements

ASU 2023-09

In December 2023, the Financial Accounting Standards Board (the **FASB**) issued Accounting Standards Update (**ASU**) No. 2023-09, *Improvements to Income Tax Disclosures (ASU 2023-09)*, which is intended to enhance the transparency of income tax matters within financial statements, providing stakeholders with a clearer understanding of tax positions and their associated risks and uncertainties. ASU 2023-09 requires public business entities to disclose, on an annual basis, specific categories in the rate reconciliation and provide additional information for reconciling items that meet a specific quantitative threshold. There is a further requirement that public business entities will need to disclose a tabular reconciliation, using both percentages and reporting currency amounts. ASU 2023-09 is effective for fiscal years beginning after December 15, 2024. We are currently evaluating the impact of ASU 2023-09 on our combined financial statements and disclosures.

ASU 2023-07

In November 2023, the FASB issued ASU No. 2023-07, *Improvements to Reportable Segment Disclosures (ASU 2023-07)*, which aims to improve reportable segment disclosure requirements, primarily through enhanced disclosures regarding significant segment expenses. ASU 2023-07 requires public companies to disclose, on an annual and interim basis, significant segment expenses that are regularly provided to the chief operating decision maker and included within each reported measure of segment profit or loss. ASU 2023-07 also requires a public entity to disclose, on an annual and interim basis for each reportable segment, an amount for other segment items and a description of its composition. ASU 2023-07 is effective for fiscal years beginning after December 15, 2023 and interim periods within fiscal years beginning after December 15, 2024 and is required to be applied on a retrospective basis. We are currently evaluating the impact of ASU 2023-07 on our combined financial statements and disclosures.

ASU 2023-05

In August 2023, the FASB issued ASU No. 2023-05, *Business Combinations — Joint Venture Formations: Recognition and Initial Measurement (ASU 2023-05)*, which outlines updates to the formation of entities that meet the definition of a joint venture as defined by the FASB. ASU 2023-05 requires a joint venture to measure its assets and liabilities at fair value upon formation. ASU 2023-05 is effective prospectively for joint venture formations with a formation date on or after January 1, 2025. We do not expect ASU 2023-05 to have a significant impact on our combined financial statements.

The Sunrise Holding Group
Notes to Condensed Combined Financial Statements — (Continued)
March 31, 2024
(unaudited)

(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 €29.7 million and €33.1 million at March 31, 2024 and December 31, 2023, 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 €33.1 million and €34.1 million as of March 31, 2024 and December 31, 2023, 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 €143.1 million and €86.8 million as of March 31, 2024 and December 31, 2023, respectively. The increase in deferred revenue for the three months ended March 31, 2024 is primarily due to the impact of additions during the period, partially offset by the recognition of €41.4 million of revenue that was included in our deferred revenue balance at December 31, 2023. The long-term portions of our deferred revenue balances are included within other long-term liabilities on our condensed combined balance sheets.

Contract Costs

Our aggregate assets associated with incremental costs to obtain our contracts were €73.2 million and €74.7 million at March 31, 2024 and December 31, 2023, 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 €19.2 million and €18.1 million during the three months ended March 31, 2024 and 2023, respectively, to operating costs and expenses related to these assets.

Unsatisfied Performance Obligations

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

The Sunrise Holding Group
Notes to Condensed Combined Financial Statements — (Continued)
March 31, 2024
(unaudited)

(4) Derivative Instruments

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

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

	March 31, 2024			December 31, 2023		
	Current	Long-term	Total	Current	Long-term	Total
	in millions					
Assets (a):						
Cross-currency and interest rate derivative contracts (b).....	€ 255.0	€ 79.1	€ 334.1	€ 253.2	€ 97.5	€ 350.7
Foreign currency forward and option contracts.....	5.9	—	5.9	2.0	—	2.0
Total.....	€ 260.9	€ 79.1	€ 340.0	€ 255.2	€ 97.5	€ 352.7
Liabilities:						
Cross-currency and interest rate derivative contracts (b).....	€ 116.5	€ 508.0	€ 624.5	€ 187.0	€ 813.2	€ 1,000.2
Foreign currency forward and option contracts.....	0.1	—	0.1	6.5	—	6.5
Total.....	€ 116.6	€ 508.0	€ 624.6	€ 193.5	€ 813.2	€ 1,006.7

- (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 net losses of €41.9 million and €23.4 million during the three months ended March 31, 2024 and 2023, 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 5.

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

	Three months ended March 31,	
	2024	2023
	in millions	
Cross-currency and interest rate derivative contracts.....	€ 387.4	€ (1.8)
Foreign currency forward and option contracts.....	10.1	(1.2)
Total.....	€ 397.5	€ (3.0)

The Sunrise Holding Group
Notes to Condensed Combined Financial Statements — (Continued)
March 31, 2024
(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 inflows (outflows) of our derivative instruments:

	Three months ended March 31,			
	2024		2023	
	in millions			
Operating activities	€	28.3	€	24.4
Financing activities		—		(57.3)
Total	€	28.3	€	(32.9)

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, 2024, our exposure to counterparty credit risk included derivative assets with an aggregate fair value of €27.8 million.

Details of our Derivative Instruments

In the following tables, we present the details of the various categories of our derivative instruments, the majority of which are held by our subsidiary, Sunrise HoldCo II 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, 2024, 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, 2024:

Notional amount due from counterparty		Notional amount due to counterparty		Weighted average remaining life
in millions		in millions		in years
\$	250.0	€	220.6	1.5
\$	4,275.0	CHF	3,912.7 (a)	4.5
€	1,952.6	CHF	2,176.5	3.0

(a) Includes certain derivative instruments that are “forward-starting”, such that the initial exchange occurs at a date subsequent to March 31, 2024. These instruments are typically entered into in order to extend existing hedges without the need to amend existing contracts.

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Notes to Condensed Combined Financial Statements — (Continued)
March 31, 2024
(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, 2024:

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
€ 3,167.2 (a)	2.3	€ 3,009.5	2.4

(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, 2024, 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, 2024, 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 €3.0 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 360 basis points to our borrowing costs as of March 31, 2024.

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, 2024, the total euro equivalent of the notional amounts of our foreign currency forward and option contracts was €254.2 million.

The Sunrise Holding Group
Notes to Condensed Combined Financial Statements — (Continued)
March 31, 2024
(unaudited)

(5) 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, 2024 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 swap contracts are quantified and further explained in note 4.

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 on an income-based approach (discounted cash flows) based on assumptions in our long-range business plans or a market-based approach (current multiples of comparable companies and guideline transactions) and, in some cases, a combination of an income-based approach and a market-based approach. 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 12), 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, 2024 and 2023, we did not perform any significant nonrecurring fair value measurements.

At March 31, 2024 and December 31, 2023, 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 2023 annual report.

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(6) 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, 2024	December 31, 2023
	in millions	
Distribution systems	€ 4,656.0	€ 4,783.0
Support equipment, buildings and land	1,406.8	1,449.8
Customer premises equipment (CPE)	436.3	443.8
Total property and equipment, gross	6,499.1	6,676.6
Accumulated depreciation	(3,844.0)	(3,889.0)
Total property and equipment, net	€ 2,655.1	€ 2,787.6

During the three months ended March 31, 2024 and 2023, we recorded non-cash increases to our property and equipment related to certain vendor financing arrangements of €9.9 million and €10.6 million, respectively, which exclude related value-added taxes (VAT) of €0.7 million and €1.5 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, 2024 are set forth below:

	January 1, 2024	Acquisitions and related adjustments	Foreign currency translation adjustments	March 31, 2024
	in millions			
Sunrise	€ 6,479.0	€ 2.9	€ (299.3)	€ 6,182.6
Central and Other	56.6	—	—	56.6
Total	€ 6,535.6	€ 2.9	€ (299.3)	€ 6,239.2

If, among other factors, 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, 2024			December 31, 2023		
	Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
	in millions					
Customer relationships	€ 1,974.5	€ (1,125.6)	€ 848.9	€ 2,068.7	€ (1,094.0)	€ 974.7
Other	411.6	(161.1)	250.5	431.2	(158.7)	272.5
Total	€ 2,386.1	€ (1,286.7)	€ 1,099.4	€ 2,499.9	€ (1,252.7)	€ 1,247.2

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(7) Debt

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

	March 31, 2024		Principal amount	
	Weighted average interest rate (a)	Unused borrowing capacity (b)	March 31, 2024	December 31, 2023
			in millions	
Parent entities – Sunrise Holding Senior Notes	4.77 %	€ —	€ 756.8	€ 746.7
Combined entities:				
Sunrise Holding Bank Facility (c)	7.70 %	707.0	3,331.7	3,277.5
Sunrise Holding SPE Notes	4.57 %	—	1,532.7	1,504.7
Vendor financing (d)	4.16 %	—	300.8	338.6
Total third-party debt before deferred financing costs and discounts (e)	6.34 %	€ 707.0	€ 5,922.0	€ 5,867.5

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, 2024	December 31, 2023
	in millions	
Total third-party debt before deferred financing costs and discounts	€ 5,922.0	€ 5,867.5
Deferred financing costs and discounts, net	(18.8)	(19.5)
Total carrying amount of third-party debt	5,903.2	5,848.0
Finance lease obligations (note 8)	25.7	29.2
Total debt and finance lease obligations	5,928.9	5,877.2
Current portion of debt and finance lease obligations	(305.9)	(346.3)
Long-term debt and finance lease obligations	€ 5,623.0	€ 5,530.9

(a) Represents the weighted average interest rate in effect at March 31, 2024 for all borrowings outstanding pursuant to each debt instrument, including any applicable margin. The interest rates presented represent stated rates and do not include the impact of derivative instruments, deferred financing costs, original issue premiums or discounts and commitment fees, all of which affect our overall cost of borrowing. Including the effects of derivative instruments, original issue premiums or discounts and commitment fees, but excluding the impact of deferred financing costs, the weighted average interest rate on our aggregate third-party variable- and fixed-rate indebtedness was 3.03% at March 31, 2024. The weighted average interest rate calculation includes principal amounts outstanding associated with all of our secured and unsecured borrowings. For information regarding our derivative instruments, see note 4.

(b) Unused borrowing capacity represents the maximum availability under the Sunrise Holding Bank Facility at March 31, 2024 without regard to covenant compliance calculations or other conditions precedent to borrowing. At March 31, 2024, in accordance with the terms of the Sunrise Holding Bank Facility, the full €707.0 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, 2024 compliance reporting requirements, and in accordance with the terms of the Sunrise Holding Bank Facility, we expect €707.0 million 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 distributed subsequent to March 31, 2024, or the full impact of additional amounts that may be available to borrow, loan or distribute under certain defined baskets within the Sunrise Holding Bank Facility.

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- (c) Unused borrowing capacity under the Sunrise Holding Bank Facility relates to an equivalent €707.0 million under the Sunrise Holding Revolving Facility, comprising (i) €697.0 million under Revolving Facility B and (ii) €10.0 million under Revolving Facility A. With the exception of €23.0 million of borrowings under the ancillary facilities, the Sunrise Holding Revolving Facility was undrawn at March 31, 2024. In February 2024, commitments under the Sunrise Holding Revolving Facility were reduced by €18.0 million and €60.0 million of commitments under Revolving Facility A were extended and redesignated under Revolving Facility B. As a result, the Sunrise Holding Revolving Facility now provides for maximum borrowing capacity of €730.0 million, including €60.0 million under the related ancillary facilities. Revolving Facility A has a maximum borrowing capacity of €10.0 million and a final maturity date of May 31, 2026 and Revolving Facility B has a maximum borrowing capacity of €720.0 million, including €60.0 million under the ancillary facilities, and a final maturity date of September 30, 2029. In April 2024, Revolving Facility B was amended to include an Environmental, Social and Governance (ESG)-linked margin ratchet. The interest rate on Revolving Facility B is now subject to adjustment based on the achievement or otherwise of certain ESG metrics.
- (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, 2024 and 2023, 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 €58.2 million and €62.6 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, 2024 and December 31, 2023, our debt had an estimated fair value of €5.7 billion and €5.7 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 5.

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Maturities of Debt

Maturities of our debt as of March 31, 2024 are presented below and represent euro equivalents based on March 31, 2024 exchange rates (in millions):

Year ending December 31:	
2024 (remainder of year) (a)	€ 238.0
2025 (a)	62.8
2026	—
2027	—
2028	1,067.3
2029	3,396.2
Thereafter	1,157.7
Total debt maturities (b)	5,922.0
Deferred financing costs and discounts, net	(18.8)
Total debt	€ 5,903.2
Current portion	€ 300.8
Long-term portion	€ 5,602.4

- (a) Maturities in years 2024 and 2025 represent amounts related to vendor financing obligations.
- (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:

	2024	2023
	in millions	
Balance at January 1	€ 338.6	€ 265.7
Operating-related vendor financing additions	58.2	62.6
Capital-related vendor financing additions	9.9	10.6
Principal payments on operating-related vendor financing	(83.7)	(24.8)
Principal payments on capital-related vendor financing	(12.3)	(70.3)
Foreign currency and other	(9.9)	(0.1)
Balance at March 31	€ 300.8	€ 243.7

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(8) 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:

	March 31, 2024	December 31, 2023
	in millions	
ROU assets:		
Operating leases (a)	€ 1,423.7	€ 949.8
Finance leases (b)	24.9	27.0
Total ROU assets	€ 1,448.6	€ 976.8
Lease liabilities:		
Operating leases	€ 1,235.2	€ 954.2
Finance leases (c)	25.7	29.2
Total lease liabilities	€ 1,260.9	€ 983.4

- (a) At March 31, 2024, the weighted average remaining lease term for operating leases was 13.8 years and the weighted average discount rate was 5.4%. During the three months ended March 31, 2024 and 2023, we recorded non-cash additions to our operating lease ROU assets of €4.5 million and €7.6 million, respectively.
- (b) Our finance lease ROU assets are included in property and equipment, net, on our condensed combined balance sheets. At March 31, 2024, the weighted average remaining lease term for finance leases was 10.6 years and the weighted average discount rate was 5.0%.
- (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.

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

	Three months ended	
	March 31,	
	2024	2023
	in millions	
Finance lease expense:		
Depreciation and amortization	€ 1.2	€ 0.9
Interest expense	0.3	0.2
Total finance lease expense	1.5	1.1
Operating lease expense (a)	34.4	32.9
Short-term lease expense (a)	0.4	1.0
Total lease expense	<u>€ 36.3</u>	<u>€ 35.0</u>

- (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,	
	2024	2023
	in millions	
Cash paid for amounts included in the measurement of lease liabilities:		
Operating cash outflows from operating leases	€ 51.6	€ 47.1
Operating cash outflows from finance leases (interest component)	0.3	0.2
Financing cash outflows from finance leases (principal component)	2.9	0.7
Total cash outflows from operating and finance leases	<u>€ 54.8</u>	<u>€ 48.0</u>

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Maturities of our operating and finance lease liabilities as of March 31, 2024 are presented below and represent euro equivalents based on March 31, 2024 exchange rates:

	<u>Operating leases</u>	<u>Finance leases</u>
	<u>in millions</u>	
Year ending December 31:		
2024 (remainder of year)	€ 137.0	€ 4.2
2025	156.9	5.5
2026	146.7	3.8
2027	142.2	3.7
2028	135.9	2.1
2029	129.1	1.3
Thereafter	888.2	12.7
Total payments	<u>1,736.0</u>	<u>33.3</u>
Less: present value discount	(500.8)	(7.6)
Present value of lease payments	<u>€ 1,235.2</u>	<u>€ 25.7</u>
Current portion	<u>€ 100.5</u>	<u>€ 5.1</u>
Long-term portion	<u>€ 1,134.7</u>	<u>€ 20.6</u>

(9) Income Taxes

Income tax benefit attributable to our loss before income taxes differs from the amounts computed using the Dutch corporate income tax rate of 25.8% as a result of the following factors:

	Three months ended March 31,	
	<u>2024</u>	<u>2023</u>
	<u>in millions</u>	
Computed “expected” tax benefit	€ 35.5	€ 22.4
Change in valuation allowances	(23.8)	2.2
International rate differences (a)	(5.6)	(8.0)
Non-deductible or non-taxable interest and other expenses	4.3	2.2
Other, net	(3.0)	(0.2)
Total income tax benefit	<u>€ 7.4</u>	<u>€ 18.6</u>

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

In December 2021, the Organization for Economic Co-Operation and Development (**OECD**)/G20 Inclusive Framework on Base Erosion and Profit Shifting (**BEPS**) released Model Global Anti-Base Erosion (**GLoBE**) rules under Pillar Two. These rules provide for the taxation of certain large multinational corporations at a minimum rate of 15%, calculated on a jurisdictional basis. The jurisdictions in which we operate have enacted legislation implementing many aspects of the Pillar Two rules beginning on January 1, 2024, with certain remaining impacts to be effective from January 1, 2025. We do not currently anticipate that Pillar Two legislation will have a material impact on our combined financial statements, but we will continue to monitor future legislation and any additional guidance that is issued.

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In general, tax returns filed by our company or our combined entities for years prior to 2018 are no longer subject to examination by tax authorities. Certain of our subsidiaries are currently involved in income tax examinations in Switzerland. While we do not expect adjustments from the foregoing examinations to have a material impact on our combined financial position, results of operations or cash flows, no assurance can be given that this will be the case given the amounts involved and the complex nature of the related issues. As of March 31, 2024, we had no unrecognized tax benefits.

(10) Related-party Transactions

Our related-party transactions are as follows:

	Three months ended	
	March 31,	
	2024	2023
	in millions	
Credits (charges) included in:		
Revenue	€ 0.1	€ 1.2
Programming and other direct cost of services	(1.0)	(1.6)
Other operating	(15.3)	(14.8)
SG&A	(0.9)	(2.0)
Allocated share-based compensation expense	(5.2)	(5.0)
Fees and allocations, net:		
Operating and SG&A (exclusive of depreciation and share-based compensation)	(1.9)	(2.9)
Share-based compensation	2.3	(3.3)
Management fee	(6.7)	(13.4)
Total fees and allocations, net	(6.3)	(19.6)
Included in operating income (loss)	(28.6)	(41.8)
Interest expense	—	(1.2)
Interest income	0.6	0.2
Included in net loss	€ (28.0)	€ (42.8)
Property and equipment additions, net	€ 5.2	€ 7.0

General. The Sunrise Holding Group charges fees and allocates costs and expenses to certain other Liberty Global subsidiaries and certain Liberty Global subsidiaries outside of the Sunrise Holding Group charge fees and allocate costs and expenses to the Sunrise 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 Sunrise Holding Group.

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

Other operating expenses. Amounts include certain charges, which may be cash or loan settled, between other Liberty Global subsidiaries and the Sunrise 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 Sunrise 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 Sunrise 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.

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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 Sunrise 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 CPE and network-related equipment acquired from or transferred to other Liberty Global subsidiaries outside of the Sunrise Holding Group.

Liberty Global charges fees to our company, including a mark-up, for products and services that its centrally-managed technology and innovation function provides to us (the **Tech Framework**). These products and services include CPE hardware and related essential software, maintenance, hosting and other services. Our company 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, our company is charged a technology-related transfer pricing recovery fee over the useful life of the assets placed in service prior to the existing technology agreement (approximately three years). This recovery fee is reflected as a capital charge in our condensed combined statements of equity. For the three months ended March 31, 2024 and 2023, this resulted in capital charges of €8.0 million and €13.3 million, respectively.

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

	<u>March 31, 2024</u>	<u>December 31, 2023</u>
	in millions	
Assets:		
Current receivables (a)	€ 6.1	€ 6.8
LGEF Receivable (b)	49.6	159.3
Other long-term receivables	—	0.4
Total	<u>€ 55.7</u>	<u>€ 166.5</u>
Liabilities:		
Accounts payable	€ 30.7	€ 26.2
Accrued liabilities	41.5	53.3
Other long-term liabilities	0.2	0.2
Total	<u>€ 72.4</u>	<u>€ 79.7</u>

(a) Amounts primarily include (i) €4.5 million and €5.0 million, respectively, of receivables due from Liberty Global Corporate B.V. and (ii) €1.0 million and €0.9 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) Sunrise HoldCo IV 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, 2024 included (i) cash receipts of €425.7 million, (ii) cash advances of €211.9 million, (iii) a €86.7 million increase related to the non-cash transfer of the net liability balance to the Shareholder Loan (as defined below), (iv) a €49.6 million increase related to the non-cash transfer of the net asset balance from the Shareholder Loan, (v) a €32.8 million decrease related to non-cash settlements and (vi) additions of €0.6 million in non-cash accrued interest.

Sunrise HoldCo IV 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 Sunrise Holding Senior Notes in the

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event of (i) a total or partial liquidation, dissolution or winding up of Sunrise HoldCo IV, (ii) a bankruptcy, reorganization, insolvency, receivership or similar proceeding relating to Sunrise HoldCo IV or its property, (iii) an assignment for the benefit of creditors or (iv) any marshaling of Sunrise HoldCo IV'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. During the three months ended March 31, 2024, activity on the Shareholder Loan included (a) a €86.7 million increase related to the non-cash transfer of the net liability balance from the LGEF Receivable, (b) cash repayments of €159.0 million, (c) cash borrowings of €22.7 million and (d) a €49.6 million increase related to the non-cash transfer of the net asset balance to the LGEF Receivable. At March 31, 2024 and December 31, 2023, there was no outstanding balance on the Shareholder Loan.

During the three months ended March 31, 2024 and 2023, we recorded aggregate capital charges of €6.7 million and €1.0 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. 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.

(11) 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 programming contracts, purchases of CPE and other equipment and services, network and connectivity commitments and other items. The following table sets forth the euro equivalents of such commitments as of March 31, 2024. The commitments included in this table do not reflect any liabilities that are included on our March 31, 2024 condensed combined balance sheet.

	Payments due during:							Total
	Remainder of 2024	2025	2026	2027	2028	2029	Thereafter	
in millions								
Programming commitments	€ 35.7	€ 43.1	€ 40.4	€ 20.4	€ —	€ —	€ —	€ 139.6
Purchase commitments	104.7	22.4	2.3	0.4	0.4	—	0.3	130.5
Network and connectivity commitments	51.5	5.2	2.7	2.3	1.4	1.3	14.9	79.3
Other commitments	23.6	32.0	29.2	23.8	22.3	22.3	57.0	210.2
Total	€ 215.5	€ 102.7	€ 74.6	€ 46.9	€ 24.1	€ 23.6	€ 72.2	€ 559.6

Programming commitments consist of obligations associated with certain of our programming and sports rights contracts that are enforceable and legally binding on us as we have agreed to pay minimum fees without regard to (i) the actual number of subscribers to the programming services, (ii) whether we terminate service to a portion of our subscribers or dispose of a portion of our distribution systems or (iii) whether we discontinue our premium sports services. Programming commitments do not include increases in future periods associated with contractual inflation or other price adjustments that are not fixed. Accordingly, the amounts reflected in the above table with respect to these contracts are significantly less than the amounts we expect to pay in these periods under these contracts. Historically, payments to programming vendors have represented a significant portion of our operating costs, and we expect this will continue to be the case in future periods. In this regard, our total programming and copyright costs aggregated €23.3 million and €23.7 million during the three months ended March 31, 2024 and 2023, respectively.

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

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

Other commitments primarily include various sports sponsorships.

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 4.

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, Sunrise GmbH, formerly known as UPC Schweiz GmbH, 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 GmbH's end customers. In January 2023, Swisscom filed a formal lawsuit against Sunrise GmbH, asserting that it is in breach of the Swisscom MVNO and claiming approximately CHF 90 million (€92 million) in damages. In April 2024, we agreed with Swisscom to resolve the matter, the terms of which are not material to us and, as a result, the lawsuit against Sunrise GmbH has been withdrawn.

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 regulations could expose our businesses to various penalties.

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

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(12) 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 net earnings (loss) before net income tax benefit (expense), other non-operating income or expenses, net gains (losses) on debt extinguishment, net foreign currency transaction 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 net earnings or loss to Segment Adjusted EBITDA is presented below.

As of March 31, 2024, our reportable segment is as follows:

- Sunrise

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

Performance Measures of Our Reportable Segments

	Revenue	
	Three months ended March 31,	
	2024	2023
	in millions	
Sunrise	€ 786.6	€ 752.5
Central and Other	11.3	12.0
Total	€ 797.9	€ 764.5
	Segment Adjusted EBITDA	
	Three months ended March 31,	
	2024	2023
	in millions	
Sunrise	€ 257.3	€ 245.1
Central and Other	4.1	4.5
Total	€ 261.4	€ 249.6

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The following table provides a reconciliation of net loss to Segment Adjusted EBITDA:

	Three months ended	
	March 31,	
	2024	2023
	in millions	
Net loss	€ (130.1)	€ (68.2)
Income tax benefit	(7.4)	(18.6)
Other income, net	(8.1)	(3.7)
Foreign currency transaction losses (gains), net	452.0	(15.6)
Realized and unrealized losses (gains) on derivative instruments, net	(397.5)	3.0
Interest expense	99.5	87.1
Operating income (loss)	8.4	(16.0)
Impairment, restructuring and other operating items, net	(0.1)	0.4
Depreciation and amortization	241.6	240.6
Related-party fees and allocations, net	6.3	19.6
Share-based compensation expense	5.2	5.0
Segment Adjusted EBITDA	<u>€ 261.4</u>	<u>€ 249.6</u>

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 6 and 8, respectively.

	Three months ended	
	March 31,	
	2024	2023
	in millions	
Sunrise	€ 138.0	€ 138.6
Central and Other	1.3	1.7
Total property and equipment additions	139.3	140.3
Assets acquired under capital-related vendor financing arrangements	(9.9)	(10.6)
Changes in current liabilities related to capital expenditures (including related-party amounts)	10.9	(10.0)
Total capital expenditures, net	<u>€ 140.3</u>	<u>€ 119.7</u>

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Revenue by Major Category

Our revenue by major category is set forth below:

	Three months ended March 31,	
	2024	2023
	in millions	
Residential revenue:		
Residential fixed revenue (a):		
Subscription revenue (b):		
Broadband internet	€ 155.1	€ 142.6
Video	109.8	114.7
Fixed-line telephony	30.9	34.4
Total subscription revenue	295.8	291.7
Non-subscription revenue	9.8	8.1
Total residential fixed revenue	305.6	299.8
Residential mobile revenue (c):		
Subscription revenue (b)	234.8	221.3
Non-subscription revenue	83.7	86.3
Total residential mobile revenue	318.5	307.6
Total residential revenue	624.1	607.4
B2B revenue (d):		
Subscription revenue	35.6	32.2
Non-subscription revenue	120.9	110.9
Total B2B revenue	156.5	143.1
Other revenue (e)	17.3	14.0
Total	€ 797.9	€ 764.5

- (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 at Sunrise.

Geographic Segments

The revenue of our geographic segments is set forth below:

	Three months ended March 31,	
	2024	2023
	in millions	
Switzerland	€ 786.6	€ 752.5
Slovakia	11.7	12.4
Other, including intersegment eliminations	(0.4)	(0.4)
Total	€ 797.9	€ 764.5

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 2023 annual report, is intended to assist in providing an understanding of changes in our results of operations and financial condition 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, 2024 and 2023.
- *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 Sunrise Holding Group.

Unless otherwise indicated, convenience translations into euros are calculated, and operational data is presented, as of March 31, 2024.

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, hedging 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 potential impact of large-scale health crises on our company, the anticipated impacts of new legislation (or changes to existing rules and regulations), anticipated changes in our revenue, costs or growth rates, our liquidity, credit risks, foreign currency risks, interest rate risks, target leverage levels, debt covenants, our future projected contractual commitments and cash flows and other information and statements that are not historical fact. Where, in any forward-looking statement, we express an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved or accomplished. In evaluating these statements, you should consider the risks and uncertainties discussed in our annual report, as well as the following list of some but not all of the factors that could cause actual results or events to differ materially from anticipated results or events:

- economic and business conditions and industry trends in the countries in which we operate;
- the competitive environment in the industries 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, currency instability 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, 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, including our ability to adequately manage our legacy technologies and transformation, 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, including with respect to our significant property and equipment additions, 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, as well as any changes to our accreditations or licenses;
- our ability to maintain and further develop our direct and indirect distribution channels;
- the effect of perceived health risks associated with electromagnetic radiation from base stations and associated equipment;
- the effect on our business of strikes or collective action by certain of our employees that are represented by trade unions;
- our ability to obtain regulatory approval and satisfy other conditions necessary to close acquisitions, dispositions, combinations or joint ventures and the impact of conditions imposed by competition and other regulatory authorities in connection with acquisitions, combinations and joint ventures;
- our ability to successfully acquire new businesses or form joint ventures and, if acquired or joined, to integrate, realize anticipated efficiencies from, and implement our business plan with respect to, the businesses we have acquired or joined or that we expect to acquire or join;
- 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 activities of device manufacturers, and our ability to secure adequate and timely supply of handsets that experience high demand;
- the availability of attractive programming for our video services and the costs associated with such programming, including, but not limited to, 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, maintenance and/or development of telecommunications networks, products 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, dispositions or joint ventures;

- our ability to realize the expected synergies from our acquisitions in the amounts anticipated or on the anticipated timelines;
- our ability to anticipate, 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 or company data or the failure to comply with applicable data protection laws, regulations and rules;
- a failure in our network and information systems, whether caused by a natural failure or a security breach, and unauthorized access to our networks;
- the outcome of any pending or threatened litigation;
- the loss of key employees and the availability of qualified personnel;
- changes in the nature of key strategic relationships with partners and joint ventures;
- the risk of default by counterparties to our derivative and other financial instruments and undrawn debt facilities;
- our capital structure and factors related to our debt arrangements; and
- events that are outside of our control, such as political unrest in international markets, terrorist attacks, armed conflicts, malicious human acts, natural disasters, epidemics, pandemics and other similar events, including the ongoing invasion of Ukraine by Russia and the Israeli-Palestinian conflict.

The broadband distribution and mobile service industries are changing rapidly and, therefore, the forward-looking statements of expectations, plans and intents 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.

Liberty Global announced its intention to spin-off our operations at Sunrise, together with certain other Liberty Global subsidiaries, which is expected to close during the fourth quarter of 2024.

Operations

At March 31, 2024, we owned and operated networks that passed 3,365,200 homes and served 1,642,600 fixed-line customers and 2,854,200 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, which remain elevated, with respect to labor, programming and other costs. 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 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

Changes in foreign currency exchange rates have a significant impact on our reported operating results as Sunrise, our primary operating segment, has the Swiss franc as its functional currency. During the three months ended March 31, 2024, our main exposure to foreign exchange (FX) risk was to the Swiss franc, as 98.6% of our euro revenue during such period was derived from our operations at Sunrise. 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 12 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, 2024, as compared to the corresponding period in 2023. 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, 2024 and 2023 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 net loss to Segment Adjusted EBITDA:

	Three months ended March 31,	
	2024	2023
	in millions	
Net loss	€ (130.1)	€ (68.2)
Income tax benefit	(7.4)	(18.6)
Other income, net	(8.1)	(3.7)
Foreign currency transaction losses (gains), net	452.0	(15.6)
Realized and unrealized losses (gains) on derivative instruments, net	(397.5)	3.0
Interest expense	99.5	87.1
Operating income (loss)	8.4	(16.0)
Impairment, restructuring and other operating items, net	(0.1)	0.4
Depreciation and amortization	241.6	240.6
Related-party fees and allocations, net	6.3	19.6
Share-based compensation expense	5.2	5.0
Segment Adjusted EBITDA	€ 261.4	€ 249.6

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 (decrease)		Organic decrease
	2024	2023	€	%	%
in millions, except percentages					
Sunrise	€ 786.6	€ 752.5	€ 34.1	4.5	—
Central and Other	11.3	12.0	(0.7)	(5.8)	(5.8)
Total	€ 797.9	€ 764.5	€ 33.4	4.4	(0.1)

Sunrise. The details of the increase in Sunrise's revenue during the three months ended March 31, 2024, as compared to the corresponding period in 2023, are set forth below:

	Subscription revenue	Non- subscription revenue	Total
	in millions		
Decrease in residential fixed subscription revenue due to change in:			
Average number of customers	€ (5.3)	€ —	€ (5.3)
ARPU	(2.8)	—	(2.8)
Increase in residential fixed non-subscription revenue	—	1.3	1.3
Total increase (decrease) in residential fixed revenue	(8.1)	1.3	(6.8)
Increase (decrease) in residential mobile revenue (a)	3.1	(6.2)	(3.1)
Increase in B2B revenue (b)	1.9	5.0	6.9
Increase in other revenue	—	2.7	2.7
Total organic increase (decrease)	(3.1)	2.8	(0.3)
Impact of FX	24.3	10.1	34.4
Total	€ 21.2	€ 12.9	€ 34.1

- (a) The increase in residential mobile subscription revenue is primarily attributable to an increase in the average number of mobile subscribers. The decrease in residential mobile non-subscription revenue is primarily due to lower revenue from handset sales.
- (b) The increase in B2B non-subscription revenue is primarily attributable to higher interconnect 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 (decrease)		Organic decrease
	2024	2023	€	%	%
	in millions, except percentages				
Sunrise	€ 256.0	€ 245.4	€ 10.6	4.3	(0.3)
Central and Other	2.2	2.4	(0.2)	(8.3)	(8.3)
Total	€ 258.2	€ 247.8	€ 10.4	4.2	(0.4)

Our programming and other direct costs of services increased €10.4 million or 4.2% during the three months ended March 31, 2024, as compared to the corresponding period in 2023. On an organic basis, our programming and other direct costs of services decreased €0.9 million or 0.4%. This decrease includes the following factors:

- A decrease in mobile handset and other device costs of €4.6 million or 10.2%, primarily due to lower sales volumes at Sunrise; and
- An increase in interconnect and access costs of €4.5 million or 11.2%, primarily due to higher lease and B2B data costs at Sunrise.

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 (decrease)		Organic decrease
	2024	2023	€	%	%
	in millions, except percentages				
Sunrise	€ 124.3	€ 119.7	€ 4.6	3.8	(0.7)
Central and Other	2.7	2.8	(0.1)	(3.6)	(3.6)
Total	€ 127.0	€ 122.5	€ 4.5	3.7	(0.8)

Our other operating expenses increased €4.5 million or 3.7% during the three months ended March 31, 2024, as compared to the corresponding period in 2023. On an organic basis, our other operating expenses decreased €1.0 million or 0.8%. This decrease includes the following factors:

- A decrease in customer service costs of €3.0 million or 15.6%, primarily related to lower call center costs at Sunrise; and
- An increase in business service costs of €2.7 million or 18.3%, primarily due to higher energy costs at Sunrise.

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		Organic increase
	2024	2023	€	%	%
	in millions, except percentages				
Sunrise	€ 149.0	€ 142.3	€ 6.7	4.7	0.2
Central and Other	2.3	2.3	—	—	—
Total SG&A expenses excluding share-based compensation expense	151.3	144.6	6.7	4.6	0.2
Share-based compensation expense	5.2	5.0	0.2	N.M.	
Total	€ 156.5	€ 149.6	€ 6.9	4.6	

N.M. — Not Meaningful.

Our SG&A expenses (exclusive of share-based compensation expense) increased €6.7 million or 4.6% during the three months ended March 31, 2024, as compared to the corresponding period in 2023. On an organic basis, our SG&A expenses increased €0.3 million or 0.2%. This increase includes the following factors:

- An increase in core network and information technology-related costs of €4.3 million or 54.2%, primarily due to higher information technology-related expenses at Sunrise; and
- A decrease in personnel costs of €3.7 million or 6.8%, primarily due to lower staffing levels at Sunrise.

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)
	2024	2023	€	%	%
	in millions, except percentages				
Sunrise	€ 257.3	€ 245.1	€ 12.2	5.0	0.4
Central and Other	4.1	4.5	(0.4)	(8.9)	(8.9)
Total	€ 261.4	€ 249.6	€ 11.8	4.7	0.2

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,	
	2024	2023
Sunrise	32.7 %	32.6 %
Central and Other	36.3 %	37.5 %

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)
	2024	2023	€	%	%
in millions, except percentages					
Residential revenue:					
Residential fixed revenue (a):					
Subscription revenue (b):					
Broadband internet	€ 155.1	€ 142.6	€ 12.5	8.8	4.1
Video	109.8	114.7	(4.9)	(4.3)	(8.3)
Fixed-line telephony	30.9	34.4	(3.5)	(10.2)	(13.7)
Total subscription revenue	295.8	291.7	4.1	1.4	(2.8)
Non-subscription revenue	9.8	8.1	1.7	21.0	16.0
Total residential fixed revenue	305.6	299.8	5.8	1.9	(2.3)
Residential mobile revenue (c):					
Subscription revenue (b)	234.8	221.3	13.5	6.1	1.4
Non-subscription revenue	83.7	86.3	(2.6)	(3.0)	(7.2)
Total residential mobile revenue	318.5	307.6	10.9	3.5	(1.0)
Total residential revenue	624.1	607.4	16.7	2.7	(1.7)
B2B revenue (d):					
Subscription revenue	35.6	32.2	3.4	10.6	5.9
Non-subscription revenue	120.9	110.9	10.0	9.0	4.2
Total B2B revenue	156.5	143.1	13.4	9.4	4.6
Other revenue (e)	17.3	14.0	3.3	23.6	17.9
Total	€ 797.9	€ 764.5	€ 33.4	4.4	(0.1)

- (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 €17.4 million and €17.2 million during the three months ended March 31, 2024 and 2023, 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 at Sunrise.

Total revenue. Our combined revenue increased €33.4 million or 4.4% during the three months ended March 31, 2024, as compared to the corresponding period in 2023. On an organic basis, our combined revenue decreased €1.0 million or 0.1%.

Residential revenue. The details of the increase in our combined residential revenue during the three months ended March 31, 2024, as compared to the corresponding period in 2023, are as follows (in millions):

Decrease in residential fixed subscription revenue due to change in:	
Average number of customers	€ (5.9)
ARPU	(2.4)
Increase in residential fixed non-subscription revenue	1.3
Total decrease in residential fixed revenue	(7.0)
Increase in residential mobile subscription revenue	3.1
Decrease in residential mobile non-subscription revenue	(6.2)
Total organic decrease in residential revenue	(10.1)
Impact of FX	26.8
Total increase in residential revenue	€ 16.7

On an organic basis, our combined residential fixed subscription revenue decreased €8.3 million or 2.8% during the three months ended March 31, 2024, as compared to the corresponding period in 2023.

On an organic basis, our combined residential fixed non-subscription revenue increased €1.3 million or 16.0% during the three months ended March 31, 2024, as compared to the corresponding period in 2023.

On an organic basis, our combined residential mobile subscription revenue increased €3.1 million or 1.4% during the three months ended March 31, 2024, as compared to the corresponding period in 2023.

On an organic basis, our combined residential mobile non-subscription revenue decreased €6.2 million or 7.2% during the three months ended March 31, 2024, as compared to the corresponding period in 2023.

B2B revenue. On an organic basis, our combined B2B subscription revenue increased €1.9 million or 5.9% during the three months ended March 31, 2024, as compared to the corresponding period in 2023.

On an organic basis, our combined B2B non-subscription revenue increased €4.7 million or 4.2% during the three months ended March 31, 2024, as compared to the corresponding period in 2023.

Other revenue. On an organic basis, our combined other revenue increased €2.5 million or 17.9% during the three months ended March 31, 2024, as compared to the corresponding period in 2023.

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 €10.4 million or 4.2% during the three months ended March 31, 2024, as compared to the corresponding period in 2023. On an organic basis, our programming and other direct costs of services decreased €0.9 million or 0.4%. 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 €4.5 million or 3.7% during the three months ended March 31, 2024, as compared to the corresponding period in 2023. On an organic basis, our other operating expenses decreased €1.0 million or 0.8%. 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 €6.9 million or 4.6% during the three months ended March 31, 2024, as compared to the corresponding period in 2023. Our SG&A expenses include share-based compensation expense, which increased €0.2 million. Excluding share-based compensation expense, on an organic basis, our SG&A expenses increased €0.3 million or 0.2%. 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 €6.3 million and €19.6 million during the three months ended March 31, 2024 and 2023, 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 10 to our condensed combined financial statements.

Depreciation and amortization expense

Our depreciation and amortization expense was €241.6 million and €240.6 million for the three months ended March 31, 2024 and 2023, respectively. Excluding the effects of FX, depreciation and amortization expense decreased €9.2 million or 3.8% during the three months ended March 31, 2024, as compared to the corresponding period in 2023, primarily due to changes at Sunrise, including the net effect of (i) 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 and (ii) a decrease associated with certain assets becoming fully depreciated.

Impairment, restructuring and other operating items, net

We recognized impairment, restructuring and other operating items, net, of (€0.1 million) and €0.4 million during the three months ended March 31, 2024 and 2023, respectively.

Interest expense

Our interest expense increased €12.4 million during the three months ended March 31, 2024, as compared to the corresponding period in 2023. This increase includes an increase of €13.6 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 7 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 4 to our condensed combined financial statements, we use derivative instruments to manage our interest rate risks.

There have been significant changes in the benchmark interest rates used to set floating rates on our debt and derivative instruments. ICE Benchmark Administration (the entity that administers LIBOR) ceased to publish CHF and GBP LIBOR rates after December 31, 2021, and it ceased to publish USD LIBOR rates after June 30, 2023. The methodology for EURIBOR has been reformed and EURIBOR has been granted regulatory approval to continue to be used.

We have agreed amendments in respect of all of our debt and derivative instruments to replace the ceased rates. For USD, these reference the Secured Overnight Financing Rate administered by the Federal Reserve Bank of New York or Term SOFR administered by CME Group Benchmark Administration Limited. For CHF, these reference the Swiss Average Rate Overnight

administered by the SIX Swiss Exchange. For GBP, these reference the Sterling Overnight Index Average administered by the Bank of England.

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,	
	2024	2023
in millions		
Cross-currency and interest rate derivative contracts (a)	€ 387.4	€ (1.8)
Foreign currency forward and option contracts	10.1	(1.2)
Total	€ 397.5	€ (3.0)

- (a) The gain for the 2024 period is primarily attributable to the net effect of (i) a net gain associated with changes in the relative value of certain currencies and (ii) a net loss associated with changes in certain market interest rates. In addition, the gain for the 2024 period includes a net loss of €41.9 million resulting from changes in our credit risk valuation adjustments. The loss for the 2023 period is primarily attributable to the net effect of (a) a net loss associated with changes in the relative value of certain currencies and (b) 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.

For additional information regarding our derivative instruments, see notes 4 and 5 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,	
	2024	2023
in millions		
Intercompany balances denominated in a currency other than the entity's functional currency (a) ..	€ (358.8)	€ (40.6)
U.S. dollar-denominated debt issued by euro functional currency entities	(92.2)	56.2
Cash and restricted cash denominated in a currency other than the entity's functional currency	(0.9)	2.4
Other	(0.1)	(2.4)
Total	€ (452.0)	€ 15.6

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

Income tax benefit

We recognized income tax benefit of €7.4 million and €18.6 million during the three months ended March 31, 2024 and 2023, respectively.

The income tax benefit for the three months ended March 31, 2024 differs from the expected income tax benefit of €35.5 million (based on the Dutch statutory income tax rate of 25.8%), primarily due to the net negative impact of an increase in valuation allowances.

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 net 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.

For additional information concerning our income taxes, see note 9 to our condensed combined financial statements.

Net loss

During the three months ended March 31, 2024 and 2023, we reported net loss of €130.1 million and €68.2 million, respectively, consisting of (i) operating income (loss) of €8.4 million and (€16.0 million), respectively, (ii) net non-operating expense of €145.9 million and €70.8 million, respectively, and (iii) income tax benefit of €7.4 million and €18.6 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.

Material Changes in Financial Condition

Sources and Uses of Cash

The Sunrise Holding Group's primary assets are its investments in its combined entities, and the majority of our operating entities are owned by Sunrise HoldCo III B.V. (**Sunrise HoldCo III**). Although our combined operating entities generate cash from operating activities, the terms of the instruments governing the indebtedness of Sunrise HoldCo III may restrict our ability to access the liquidity of these entities. These entities accounted for substantially all of our €14.8 million of combined cash and cash equivalents at March 31, 2024. 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 Sunrise Holding Group

As the Sunrise Holding Group typically does not hold significant amounts of cash and cash equivalents at the corporate level, the Sunrise Holding Group's primary source of corporate liquidity is proceeds received from Sunrise HoldCo III (and indirectly from Sunrise HoldCo III's combined entities) in the form of loans or distributions. As noted above, various factors may limit the ability of the Sunrise Holding Group's combined entities to loan or distribute cash. From time to time, the Sunrise 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 Sunrise Holding Group's corporate liquidity requirements include (i) corporate general and administrative expenses and (ii) interest payments on the Sunrise Holding Senior Notes. From time to time, Sunrise HoldCo IV 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 10 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 Sunrise HoldCo III, borrowing availability under the Sunrise Holding Bank Facility. For the details of the borrowing availability under the Sunrise Holding Bank Facility at March 31, 2024, see note 7 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 Sunrise Holding Group's derivative instruments, as well as to settle certain obligations that are not included on our March 31, 2024 condensed combined balance sheet. In this regard, we have significant commitments related to (a) programming, studio output and sports rights contracts, (b) purchase obligations associated with CPE and certain service-related commitments and (c) certain operating costs associated with our networks. 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 11 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 Sunrise HoldCo IV or other Liberty Global subsidiaries, (iii) capital distributions to Sunrise HoldCo IV 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 4 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 Sunrise 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 Sunrise 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, 2024, the Sunrise 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, 2024, 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 €0.3 billion that is classified as current on our condensed combined balance sheet and €1.2 billion that is not due until 2030 or thereafter.

Notwithstanding our negative working capital position at March 31, 2024, 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 Sunrise 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, 2024.

For additional information regarding our debt and finance lease obligations, see notes 7 and 8, 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 for the three months ended March 31, 2024 and 2023 are summarized as follows:

	Three months ended March 31,		Change
	2024	2023	
	in millions		
Net cash provided by operating activities	€ 117.1	€ 192.6	€ (75.5)
Net cash provided (used) by investing activities	70.6	(93.4)	164.0
Net cash used by financing activities	(177.0)	(99.5)	(77.5)
Effect of exchange rate changes on cash and cash equivalents and restricted cash	(1.3)	3.1	(4.4)
Net increase in cash and cash equivalents and restricted cash	€ 9.4	€ 2.8	€ 6.6

Operating Activities. The decrease in net cash provided by our operating activities is primarily attributable to a decrease in cash provided by our Segment Adjusted EBITDA and related working capital items. 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 change in net cash provided (used) by our investing activities is attributable to the net effect of (i) an increase in cash of €119.2 million due to higher net repayments from related parties, (ii) an increase in cash of €65.4 million associated with lower net cash paid for acquisitions and (iii) a decrease in cash of €20.6 million due to higher capital expenditures.

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 6, 7 and 8 to our condensed combined financial statements. For further details regarding our property and equipment additions, see note 12 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,	
	2024	2023
in millions		
Property and equipment additions	€ 139.3	€ 140.3
Assets acquired under capital-related vendor financing arrangements	(9.9)	(10.6)
Changes in current liabilities related to capital expenditures (including related-party amounts)	10.9	(10.0)
Total capital expenditures, net	<u>€ 140.3</u>	<u>€ 119.7</u>

The decrease in our property and equipment additions during the three months ended March 31, 2024, as compared to the corresponding period in 2023, is primarily attributable to the net effect of (i) a decrease in local currency expenditures of our combined entities, primarily due to the net effect of (a) a decrease in expenditures for the purchase and installation of CPE, (b) a decrease in expenditures for new build and upgrade projects, (c) an increase in baseline expenditures, including network improvements and expenditures for property and facilities and information technology systems, and (d) a decrease in expenditures to support new customer products and operational efficiency initiatives, and (ii) an increase due to FX.

Financing Activities. The increase in net cash used by our financing activities is primarily attributable to the net effect of (i) an increase in cash used of €127.3 million due to higher net repayments of related-party debt and (ii) a decrease in cash used of €57.3 million due to lower net payments related to derivatives.

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, 2024. 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 4 to our condensed combined financial statements.

	Payments (receipts) due during:						Total
	Remainder of 2024	2025	2026	2027	2028	2029	
in millions							
Projected derivative cash payments (receipts), net:							
Interest-related (a)	€ (82.7)	€ (146.1)	€ (137.7)	€ (120.3)	€ (110.5)	€ (49.2)	€ (646.5)
Principal-related (b)	—	122.7	57.4	—	16.8	128.9	325.8
Other (c)	(7.0)	(1.0)	—	—	—	—	(8.0)
Total	<u>€ (89.7)</u>	<u>€ (24.4)</u>	<u>€ (80.3)</u>	<u>€ (120.3)</u>	<u>€ (93.7)</u>	<u>€ 79.7</u>	<u>€ (328.7)</u>

(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 a currency other than the functional currency of the operations whose cash flows support our ability to repay or refinance such debt. For information regarding our use of derivative instruments to manage our foreign currency exchange rate risk, see note 4 to our condensed combined financial statements.

The relationship between the Swiss franc, which is Sunrise's functional currency, and the euro, which is our reporting currency, are shown below, per one euro:

	<u>March 31, 2024</u>	<u>December 31, 2023</u>
Spot rates	0.9731	0.9285
	<u>Three months ended March 31,</u>	
	<u>2024</u>	<u>2023</u>
Average rates	0.9496	0.9928

Inflation Risk

We are subject to inflationary pressures, which remain elevated, with respect to labor, programming and other costs. 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 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.