LIBERTY CABLEVISION
OF PUERTO RICO LLC

Consolidated Financial Statements
December 31, 2017

LIBERTY CABLEVISION OF PUERTO RICO LLC

279 Ponce de Leon Ave.
San Juan, Puerto Rico
00918-1485

LIBERTY CABLEVISION OF PUERTO RICO LLC

CONSOLIDATED FINANCIAL STATEMENTS

DECEMBER 31, 2017

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Independent Auditors' Report

The Board of Directors
Liberty Cablevision of Puerto Rico LLC

We have audited the accompanying consolidated financial statements of Liberty Cablevision of Puerto Rico LLC and its subsidiary, which comprise the consolidated balance sheets as of December 31, 2017 and 2016, and the related consolidated statements of operations, changes in members' capital, and cash flows for each of the years in the three-year period ended December 31, 2017, and the related notes to the consolidated financial statements.

Management's Responsibility for the Consolidated Financial Statements

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

Auditors' Responsibility

Our responsibility is to express an opinion on these consolidated financial statements based on our audits. We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the consolidated financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the consolidated financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the consolidated financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the consolidated financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Opinion

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Liberty Cablevision of Puerto Rico LLC and its subsidiary as of December 31, 2017 and 2016, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2017, in accordance with U.S. generally accepted accounting principles.

/s/ KPMG LLP

Denver, Colorado
March 21, 2018

LIBERTY CABLEVISION OF PUERTO RICO LLC

CONSOLIDATED BALANCE SHEETS

	December 31, 2017	December 31, 2016
	in millions	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 41.0	$ 78.5
Trade receivables and unbilled revenue, net	10.5	16.4
Prepaid expenses	5.9	5.1
Other current assets	7.3	2.9
Total current assets	64.7	102.9
Property and equipment, net	400.8	391.4
Goodwill	277.7	277.7
Cable television franchise rights	540.0	584.1
Customer relationships, net	86.7	102.4
Other assets, net	4.0	8.0
Total assets	$ 1,373.9	$ 1,466.5
LIABILITIES AND MEMBERS' CAPITAL		
Current liabilities:		
Accounts payable	$ 18.1	$ 17.9
Deferred revenue and advance payments from subscribers	10.3	12.3
Accrued capital expenditures	61.8	19.7
Third-party accrued interest	10.9	10.6
Derivative instruments	4.3	8.9
Current portion of third-party debt and capital lease obligations	—	0.2
Other accrued and current liabilities	11.9	22.2
Total current liabilities	117.3	91.8
Long-term debt and capital lease obligations:		
Third-party	971.2	927.2
Related-party	25.0	—
Other long-term liabilities	4.7	10.2
Total liabilities	1,118.2	1,029.2
Commitments and contingencies		
Members' capital:		
Members' capital	311.4	505.3
Cayman Holding Receivable	(55.7)	(68.0)
Members' capital after deducting loan receivable from member	255.7	437.3
Total liabilities and members' capital	$ 1,373.9	$ 1,466.5

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

LIBERTY CABLEVISION OF PUERTO RICO LLC

CONSOLIDATED STATEMENTS OF OPERATIONS

	Year ended December 31,		
	2017	2016	2015
		in millions	
Revenue	$ 320.5	$ 420.8	$ 379.2
Operating costs and expenses (exclusive of depreciation and amortization, shown separately below):			
Programming and other direct costs of services	82.2	113.3	110.3
Other operating	57.2	58.3	55.3
Selling, general and administrative (**SG&A**)	49.8	40.4	47.6
Depreciation and amortization	87.5	83.2	74.6
Impairment, restructuring and other operating items, net	90.6	12.9	11.9
	367.3	308.1	299.7
Operating income (loss)	(46.8)	112.7	79.5
Non-operating expense:			
Interest expense:			
Third-party	(51.5)	(51.5)	(49.7)
Related-party	(0.2)	(0.6)	(1.6)
Realized and unrealized losses on interest rate derivative instruments, net	(2.6)	(2.4)	(13.8)
Other expense, net	(2.4)	(0.2)	(0.2)
	(56.7)	(54.7)	(65.3)
Net earnings (loss)	$ (103.5)	$ 58.0	$ 14.2

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

LIBERTY CABLEVISION OF PUERTO RICO LLC

CONSOLIDATED STATEMENTS OF CHANGES IN MEMBERS' CAPITAL

	Class A preferred units	Class B common units	Total members' capital	Cayman Holding Receivable	Members' capital after deducting loan receivable from member
			in millions		
Balance at January 1, 2015	$ 244.2	$ 83.4	$ 327.6	$ —	$ 327.6
Net earnings	—	14.2	14.2	—	14.2
Impact of the Choice Acquisition	—	404.8	404.8	(68.0)	336.8
Non-cash borrowing and distribution to Cayman Holding	—	(259.1)	(259.1)	—	(259.1)
Priority Return	13.0	(13.0)	—	—	—
Capital charge in connection with exercise or release of share-based incentive awards	—	(1.0)	(1.0)	—	(1.0)
Share-based compensation	—	0.3	0.3	—	0.3
Balance at December 31, 2015	257.2	229.6	486.8	(68.0)	418.8
Net earnings	—	58.0	58.0	—	58.0
Priority Return	14.6	(14.6)	—	—	—
Distributions to Members	(35.4)	(3.7)	(39.1)	—	(39.1)
Capital charge in connection with exercise or release of share-based incentive awards	—	(0.3)	(0.3)	—	(0.3)
Share-based compensation	—	0.1	0.1	—	0.1
Other	—	(0.2)	(0.2)	—	(0.2)
Balance at December 31, 2016	236.4	268.9	505.3	(68.0)	437.3
Net loss	—	(103.5)	(103.5)	—	(103.5)
Priority Return	12.3	(12.3)	—	—	—
Distributions to Members, net	(34.2)	(55.9)	(90.1)	—	(90.1)
Payments received on the Cayman Holding Receivable	—	—	—	12.3	12.3
Capital charge in connection with exercise or release of share-based incentive awards	—	(1.0)	(1.0)	—	(1.0)
Share-based compensation	—	0.7	0.7	—	0.7
Balance at December 31, 2017	$ 214.5	$ 96.9	$ 311.4	$ (55.7)	$ 255.7

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

LIBERTY CABLEVISION OF PUERTO RICO LLC

CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2017	2016	2015
		in millions	
Cash flows from operating activities:			
Net earnings (loss)	$ (103.5)	$ 58.0	$ 14.2
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:			
Share-based compensation expense	1.3	2.9	1.2
Depreciation and amortization	87.5	83.2	74.6
Impairment, restructuring and other operating items, net	90.6	12.9	11.9
Amortization of debt financing costs and discounts	2.5	2.3	1.9
Realized and unrealized losses on derivative instruments, net	2.6	2.4	13.8
Loss on debt modification and extinguishment	2.8	—	—
Changes in operating assets and liabilities, net of the effects of an acquisition:			
Receivables and other operating assets	11.3	(6.3)	1.7
Payables and accruals	(27.4)	(8.7)	(5.9)
Net cash provided by operating activities	67.7	146.7	113.4
Cash flows from investing activities:			
Capital expenditures	(90.9)	(84.6)	(70.8)
Cash acquired related to the Choice Acquisition	—	—	3.6
Net cash used by investing activities	(90.9)	(84.6)	(67.2)
Cash flows from financing activities:			
Distributions to Members, net	(90.1)	(35.0)	—
Borrowings of third-party debt	40.0	—	—
Repayments of third-party debt and capital lease obligations	(0.2)	(0.4)	(0.4)
Borrowings of related-party debt	25.0	—	—
Repayment of the LiLAC Communications Loan	—	(13.3)	—
Payments received on the Cayman Holding Receivable	12.3	—	—
Payment of financing costs	(1.3)	—	(1.8)
Other financing activities	—	(0.6)	(0.2)
Net cash used by financing activities	(14.3)	(49.3)	(2.4)
Net increase (decrease) in cash and cash equivalents	(37.5)	12.8	43.8
Cash and cash equivalents:			
Beginning of year	78.5	65.7	21.9
End of year	$ 41.0	$ 78.5	$ 65.7
Cash paid for interest - third-party	$ 48.7	$ 52.9	$ 44.7
Cash paid for interest - related-party	$ —	$ 3.5	$ —
Cash paid for taxes	$ —	$ 1.4	$ —

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

(1) Basis of Presentation

Organization

Liberty Cablevision of Puerto Rico LLC (**Liberty Puerto Rico**) is a provider of video, broadband internet and fixed-line telephony services to residential and business customers in Puerto Rico. Liberty Puerto Rico was formed in connection with a series of transactions with certain investment funds affiliated with Searchlight Capital Partners L.P. (collectively, **Searchlight**) that were completed on November 8, 2012 (**November 2012 Merger**). On June 3, 2015, our parent company, LCPR Cayman Holding Inc. (**Cayman Holding**), together with Searchlight, entered into an agreement with PPR Media LLC (**PPR Media**) to purchase Puerto Rico Cable Acquisition Company Inc., doing business as Choice Cable TV (**Choice**), a then subsidiary of PPR Media. Through a series of related-party transactions and immediately following the Choice Acquisition, as defined and described in note 4, Liberty Puerto Rico became the parent company of Choice. LiLAC Communications, Inc. (**LiLAC Communications**) indirectly owns a 60.0% controlling interest in Liberty Puerto Rico, with the remaining 40.0% interest indirectly owned by Searchlight. LiLAC Communications is a wholly-owned subsidiary of Liberty Latin America Ltd. (**Liberty Latin America**), an international provider of video, broadband internet, fixed-line telephony and mobile services. In these notes, the terms "we," "our," "our company" and "us" may refer, as the context requires, to Liberty Puerto Rico or collectively to Liberty Puerto Rico and its subsidiary.

Split-Off of Liberty Latin America from Liberty Global

Prior to the Split-Off, as further described below, we were an indirectly 60.0% owned subsidiary of Liberty Global plc (**Liberty Global**). On December 29, 2017, Liberty Global completed its previously announced split-off (the **Split-Off**) of its former wholly-owned subsidiary Liberty Latin America, which primarily included (i) Cable & Wireless Communications Limited (**C&W**) and its subsidiaries, (ii) VTR Finance B.V. and its subsidiaries and (iii) LiLAC Communications and its subsidiaries. As a result of the Split-Off, Liberty Latin America is an independent, publicly traded company, and its assets and liabilities consist of the businesses, assets and liabilities that were formerly known as Liberty Global's "LiLAC Group."

Liquidity and Going Concern

In September 2017, the island of Puerto Rico was significantly impacted by Hurricanes Maria and, to a lesser extent, Irma, resulting in extensive damage to homes, businesses and infrastructure, including damage to Puerto Rico's power supply and transmission system. Similarly, our broadband communications network suffered extensive damage. As of December 31, 2017, we have been able to restore service to approximately 340,000 revenue generating units (**RGU**s) of our total estimated 738,500 RGUs. Additionally, we estimate that approximately $130 million of property and equipment additions is required to restore nearly all of our broadband communications network, approximately $50 million of which was incurred during the fourth quarter.

The cash provided by our operations was a significant source of pre-hurricane liquidity. As a result of the hurricane impacts, we do not expect we will generate positive cash from operations, inclusive of capital expenditures, until at least the latter half of 2018. In this regard, our immediate liquidity needs are being funded by available cash on hand, which includes $40.0 million that was drawn under the Liberty Puerto Rico Bank Facility (as defined in note 8) during the fourth quarter of 2017. No further amounts are available to be borrowed under the Liberty Puerto Rico Bank Facility. Other than cash on hand and any cash from operations, future liquidity sources are expected to include insurance proceeds and an equity commitment through December 31, 2018 of up to $60.0 million from Liberty Latin America and Searchlight (collectively, the **Equity Commitment Guarantors**) to fund any potential liquidity shortfalls. Subsequent to December 31, 2017, we received $25.0 million of the $60.0 million equity commitment from the Equity Commitment Guarantors in the form of a subordinated related-party loan from Leo Cable LP (**Leo Cable**), the parent company of Cayman Holding.

As further described in note 8, on December 20, 2017, the LPR First Lien Term Loan and the LPR Second Lien Term Loan credit agreements (collectively, the **LPR Credit Agreements**) were amended to provide, among other things, relief from complying with the leverage covenants through December 31, 2018.

While there are still uncertainties with respect to our recovery from the hurricanes, and no assurance can be given as to the ultimate amount or timing of liquidity to be received from cash from operations or insurance proceeds, we expect our existing and potential sources of liquidity, together with the temporary relief from complying with the leverage covenants, will be sufficient to satisfy our liquidity requirements over the next twelve months.

Basis of Presentation

The accompanying consolidated financial statements have been prepared in accordance with generally accepted accounting principles in the United States (**U.S. GAAP**).

Liberty Puerto Rico is treated as a partnership that is not a separate tax-paying entity for United States (**U.S.**) federal or Puerto Rico income tax purposes.

These consolidated financial statements reflect our consideration of the accounting and disclosure implications of subsequent events through March 21, 2018, the date of issuance.

(2) Accounting Change and Recent Accounting Pronouncements

Accounting Change

In January 2017, the Financial Accounting Standards Board (**FASB**) issued Accounting Standards Update (**ASU**) No. 2017-04, *Simplifying the Test for Goodwill Impairment* (**ASU 2017-04**), which eliminates the requirement to estimate the implied fair value of a reporting unit's goodwill as determined following the procedure that would be required in determining the fair value of assets acquired and liabilities assumed in a business combination. Instead, a company should recognize any goodwill impairment by comparing the fair value of a reporting unit to its carrying amount. We early-adopted ASU 2017-04 effective January 1, 2017. The adoption of ASU 2017-04 reduces the complexity surrounding the measurement of goodwill impairments.

Recent Accounting Pronouncements

ASU 2014-09

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (**ASU 2014-09**), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09, as amended by ASU No. 2015-14, will replace existing revenue recognition guidance when it becomes effective for annual reporting periods beginning after December 15, 2018. ASU 2014-09 allows for early adoption and, as a result, we adopted this new standard on January 1, 2018 using the cumulative effect transition method. The primary impact of ASU 2014-09 will be the revenue recognition policy surrounding certain upfront fees charged to our customers.

When we enter into contracts to provide services to our customers, we often charge installation or other upfront fees. Under current accounting standards, installation fees related to services provided over our cable networks are recognized as revenue during the period in which the installation occurs to the extent these fees are equal to or less than direct selling costs. Under ASU 2014-09, these fees will generally be deferred and recognized as revenue over the contractual period for those contracts with substantial termination penalties, or for a period of time the upfront fees convey a material right for month-to-month contracts and contracts that do not include substantive termination penalties.

ASU 2014-09 will also impact our accounting for certain upfront costs directly associated with obtaining and fulfilling customer contracts. Under our current policy, these costs are expensed as incurred unless the costs are in the scope of other accounting standards that allow for capitalization. Under ASU 2014-09, the upfront costs associated with contracts that have substantive termination penalties and a term of one year or more will be recognized as assets and amortized to other operating expenses over the applicable period benefited.

The cumulative effect recorded upon the adoption of ASU 2014-09 on January 1, 2018 did not have a material impact on our financial position. The ultimate impact of adopting ASU 2014-09 for both revenue recognition and costs to obtain and fulfill contracts depends on numerous factors, including (i) the promotions and offers that were in place at December 31, 2017 and during subsequent periods after the adoption of ASU 2014-09 and (ii) our assessment of whether or not our contracts are enforceable or contain substantive termination penalties. Based upon our current product offerings, and our assessment that in many instances our contracts are not enforceable or do not contain substantive termination penalties, we do not expect the ongoing impact following the adoption of ASU 2014-09 to have a material impact to our consolidated statement of operations or balance sheets. In addition, we were not required to make material changes to our internal control environment as a result of the adoption of ASU 2014-09.

ASU 2016-02

In February 2016, the FASB issued ASU No. 2016-02, *Leases* (**ASU 2016-02**), which, for most leases, will result in lessees recognizing lease assets and lease liabilities on the balance sheet with additional disclosures about leasing arrangements. ASU 2016-02 requires lessees and lessors to recognize and measure leases at the beginning of the earliest period presented using a modified retrospective approach. The modified retrospective approach and additional guidance provided by ASU 2018-01, *Leases (Topic 842)—Land Easement Practical Expedient for Transition to Topic 842*, includes a number of optional practical expedients an entity may elect to apply. ASU 2016-02 is effective for annual reporting periods beginning after December 15, 2019, with early adoption permitted. We will adopt ASU 2016-02 on January 1, 2019. Although we are currently evaluating the effect that ASU 2016-02 will have on our consolidated financial statements, the main impact of the adoption of this standard will be the recognition of lease assets and lease liabilities in our consolidated balance sheets for those leases classified as operating leases under previous U.S. GAAP. ASU 2016-02 will not have significant impacts on our consolidated statements of operations or cash flows.

(3) Summary of Significant Accounting Policies

Estimates

The preparation of financial statements in conformity with U.S. 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, programming and copyright expenses, loss contingencies, fair value measurements, impairment assessments, capitalization of internal costs associated with construction and installation activities and useful lives of long-lived assets. Actual results could differ from those estimates.

Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

Principles of Consolidation

The accompanying consolidated financial statements include our accounts and the accounts of our wholly-owned subsidiary. Intercompany accounts and transactions have been eliminated in consolidation.

Cash and Cash Equivalents

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

Cash Flow Statement

For purposes of determining the classification of cash flows in our consolidated statements of cash flows, payments or receipts on related-party loans are first applied to principal (included as cash flows from financing activities) and then to capitalized interest (included as cash flows from operating activities). In addition, interest-bearing cash advances to related parties and repayments thereof are classified as investing activities. All other related-party borrowings, advances and repayments are reflected as financing activities.

Trade Receivables

Our trade receivables are reported net of an allowance for doubtful accounts. Such allowance aggregated $10.8 million and $9.9 million at December 31, 2017 and 2016, respectively. The allowance for doubtful accounts is based upon our assessment of probable loss related to uncollectible accounts receivable. We use a number of factors in determining the allowance, including, among other things, collection trends, prevailing and anticipated economic conditions and specific customer credit risk. The allowance is maintained until either payment is received or the likelihood of collection is considered to be remote.

Concentration of credit risk with respect to trade receivables is limited due to the large number of customers.

Financial Instruments

Due to the short maturities of cash and cash equivalents, trade and other receivables, other current assets, accounts payable, accrued liabilities and other accrued and current liabilities, their respective carrying values approximate their respective fair values. For information regarding the fair values of our derivative instruments, see note 5. For information regarding how we arrive at certain of our fair value measurements, see note 6.

Derivative Instruments

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

The net cash received or paid related to our derivative instruments is classified as an operating, investing or financing activity in our consolidated statements of cash flows based on the objective of the derivative instrument and the classification of the applicable underlying cash flows. For derivative contracts that are terminated prior to maturity, the cash paid or received upon termination that relates to future periods is classified as a financing activity in our consolidated statements of cash flows.

For information regarding our derivative instruments, see note 5.

Property and Equipment

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

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

Depreciation is computed using the straight-line method over the estimated useful life of the underlying asset. Equipment under capital leases is amortized on a straight-line basis over the shorter of the lease term or estimated useful life of the asset and is included in depreciation and amortization in our consolidated statements of operations. Useful lives used to depreciate our property and equipment are assessed periodically and are adjusted when warranted. The useful lives of cable distribution systems that are undergoing a rebuild are adjusted such that property and equipment to be retired will be fully depreciated by the time the rebuild is completed. For additional information regarding the useful lives of our property and equipment, see note 7.

Additions, replacements and improvements that extend the asset life are capitalized. Repairs and maintenance are expensed as incurred.

Intangible Assets

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

Goodwill and cable television franchise rights have indefinite useful lives and are not amortized, but instead are tested for impairment at least annually. Intangible assets with finite lives are amortized on a straight-line basis over their respective estimated useful lives to their estimated residual values, and reviewed for impairment. Useful lives used to amortize our customer relationships are assessed periodically and are adjusted when warranted.

For additional information regarding the useful lives of our intangible assets, see note 7.

Impairment of Property and Equipment and Intangible Assets

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

We evaluate goodwill and cable television franchise rights for impairment at least annually on October 1 and whenever facts and circumstances indicate that their carrying amounts may not be recoverable. For purposes of goodwill impairment evaluations, our operations consist of one reporting unit. A reporting unit is an operating segment or one level below an operating segment (referred to as a "component"). Our operating segment is deemed to be a reporting unit as it comprises a single component. For impairment evaluations with respect to both goodwill and cable television franchise rights, we first make a qualitative assessment to determine if the goodwill or cable television franchise rights may be impaired. In the case of goodwill, if it is more-likely-than-not that a reporting unit's fair value is less than its carrying value, we then compare the fair value of the reporting unit to its respective carrying amount. Goodwill impairment is recorded as the excess of a reporting unit's carrying value over its fair value and is charged to operations. With respect to cable television franchise rights, if it is more-likely-than-not that the fair value of the cable television franchise rights are less than their carrying value, we then estimate their fair value and any excess of the carrying value over the fair value is also charged to operations as an impairment loss. For additional information regarding the fair values of our property and equipment and intangible assets, see note 6. For additional information regarding impairments recorded during 2017, see note 7.

Income Taxes

Effective with our formation in the November 2012 Merger, we are treated as a partnership that is not a separate tax-paying entity, but instead is a pass-through entity for U.S. federal and Puerto Rico income tax purposes. Accordingly, our taxable income or loss, which may vary substantially from the net earnings or loss reported in our consolidated statements of operations, is proportionately included in the income tax returns of each Member, as applicable. For additional information, see note 9.

Revenue Recognition

Service Revenue — Fixed Networks. We recognize revenue from video, broadband internet and fixed-line telephony services over our fixed network to customers in the period the related services are provided. Installation revenue (including reconnect fees) related to services provided over our fixed network is recognized as revenue in the period during which the installation occurs to the extent these fees are equal to or less than direct selling costs, which costs are expensed as incurred. To the extent installation revenue exceeds direct selling costs, the excess revenue is deferred and amortized over the expected life of the subscriber relationship.

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

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

Promotional Discounts. For subscriber promotions, such as discounted services during an introductory period, revenue is recognized only to the extent of the discounted monthly fees charged to the subscriber, if any.

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

Sales and Use Taxes. Revenue is recorded net of applicable sales and use taxes.

Litigation Costs

Legal fees and related litigation costs are expensed as incurred.

(4) Acquisition

On June 3, 2015, pursuant to a stock purchase agreement with PPR Media and following regulatory approval, Cayman Holding paid cash in exchange for ownership shares of Choice. The purchase price was funded through (i) $259.1 million of debt under a bridge loan facility, net of discount and fees, (ii) $10.5 million of cash contributed to Cayman Holding from LiLAC Communications and (iii) an equity contribution from Searchlight of $6.8 million. Liberty Puerto Rico then issued 150 common shares to Cayman Holding in exchange for 100% ownership of Choice resulting in Choice being a wholly-owned subsidiary of Liberty Puerto Rico (the **Choice Acquisition**). In connection with these transactions, Liberty Puerto Rico borrowed $267.5 million on the Liberty Puerto Rico Bank Facility, as defined in note 8, ($259.1 million after deducting the applicable discount and fees) that was distributed directly to Cayman Holding and, as such, represents a non-cash borrowing and distribution of equity. Liberty Puerto Rico has been treated as the acquiring entity of Choice for financial reporting purposes.

Choice is a cable and broadband services provider in Puerto Rico. We acquired Choice in order to achieve certain financial, operational and strategic benefits through the integration of Choice with Liberty Puerto Rico.

We have accounted for the Choice Acquisition using the acquisition method of accounting, whereby the total purchase price was allocated to the acquired identifiable net assets of Choice based on assessments of their respective fair values, and the excess of the purchase price over the fair values of these identifiable net assets was allocated to goodwill. A summary of the purchase price and opening balance sheet of Choice at the June 3, 2015 acquisition date is presented in the following table. The opening balance sheet presented below reflects our final purchase price allocation (in millions):

Cash and cash equivalents	$ 3.6
Other current assets	7.8
Property and equipment	79.8
Goodwill (a)	51.6
Cable television franchise rights	147.8
Customer relationships (b)	59.1
Other assets	0.3
Other accrued and current liabilities	(13.2)
Non-current deferred tax liabilities (c)	(60.4)
Total purchase price (d)	276.4
Increase to members' capital associated with issuance of the Cayman Holding Receivable (note 11)	68.0
Impact of non-current deferred tax liabilities retained by parent (c)	60.4
Impact of the Choice Acquisition	404.8
Non-cash borrowing and distribution to Cayman Holding	(259.1)
Increase to members' capital related to the Choice Acquisition	$ 145.7

(a) The goodwill recognized in connection with the Choice Acquisition is primarily attributable to (i) the ability to take advantage of Choice's existing advanced broadband communications network to gain immediate access to potential customers and (ii) synergies that were expected to be achieved through the integration of Choice with Liberty Puerto Rico.

(b) Amount includes intangible assets related to customer relationships. As of June 3, 2015, the weighted average useful life of Choice's intangible assets was approximately ten years.

(c) Liberty Puerto Rico is not a tax-paying entity for U.S. federal or Puerto Rico income tax purposes.

(d) Excludes $8.5 million of direct acquisition costs, $4.6 million of which were incurred during 2015, which are included in impairment, restructuring and other operating items, net, in our consolidated statements of operations.

Pro Forma Information

The following unaudited pro forma consolidated operating results give effect to the Choice Acquisition as if it had been completed as of January 1, 2015. These pro forma amounts are not necessarily indicative of the operating results that would have occurred if this transaction had occurred on such date. The pro forma adjustments are based on certain assumptions that we believe are reasonable.

	Year ended December 31, 2015
	in millions
Revenue	$ 416.3
Net earnings	$ 16.1

Our consolidated statement of operations for 2015 includes revenue and net earnings of $52.1 million and $9.6 million, respectively, attributable to Choice.

(5) Derivative Instruments

In general, we seek to enter into derivative instruments to protect against increases in the interest rates on our variable-rate debt. We do not apply hedge accounting to our derivative instruments. Accordingly, changes in the fair values of our interest rate derivative instruments are recorded in realized and unrealized gains or losses on derivative instruments in our consolidated statements of operations.

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

	December 31, 2017			December 31, 2016		
	Current	Long-term (a)	Total	Current	Long-term (a)	Total
	in millions					
Assets:						
Interest rate derivative contracts (b)	$ —	$ 0.7	$ 0.7	$ —	$ 4.8	$ 4.8
Liabilities:						
Interest rate derivative contracts (b)	$ 4.3	$ 2.8	$ 7.1	$ 8.9	$ 8.4	$ 17.3

(a) Our long-term derivative assets and liabilities are included in other assets, net, and other long-term liabilities, respectively, in our consolidated balance sheets.

(b) We consider credit risk relating to our and our counterparty's 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 interest rate derivative contracts resulted in net gains (losses) of $0.1 million, ($0.5 million) and $0.5 million during 2017, 2016 and 2015, respectively. These amounts are included in realized and unrealized losses on interest rate derivative instruments, net, in our consolidated statements of operations. For further information regarding our fair value measurements, see note 6.

During the years ended December 31, 2017, 2016 and 2015 we made net cash payments of $8.6 million, $3.7 million and nil, respectively, related to our derivative instruments, which are included in operating activities in our consolidated statements of cash flows.

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 this credit risk through the evaluation and monitoring of the creditworthiness of our counterparties. Collateral has not been posted by either party under our derivative instruments. At December 31, 2017, all of our derivative contracts were subject to agreements with a single counterparty. These agreements contain master netting arrangements that are applicable in the event of early termination by either party to such derivative instruments. At December 31, 2017, we had no expected counterparty credit risk resulting from our net derivative positions.

Details of our Derivative Instruments

Interest Rate Swaps

As noted above, we enter into interest rate swaps to protect against increases in the interest rates on our variable-rate debt. Pursuant to these derivative instruments, we typically pay fixed interest rates and receive variable interest rates on specified notional amounts. At December 31, 2017, the outstanding notional amount of our interest rate swap contracts was $675.0 million and the related weighted average remaining contractual life was 3.3 years.

Interest Rate Caps

We enter into interest rate cap agreements that lock in a maximum interest rate if variable rates rise, but also allow our company to benefit from declines in market rates. At December 31, 2017, the total notional amount of our interest rate caps was $436.3 million.

Impact of Derivative Instruments on Borrowing Costs

The impact of the derivative instruments on our borrowing costs at December 31, 2017 was an increase of 69 basis points.

(6) Fair Value Measurements

We use the fair value method to account for our derivative instruments. The reported fair values of our derivative instruments as of December 31, 2017 likely will not represent the value that will be paid or received upon the ultimate settlement or disposition of these assets and liabilities, as we expect that the values realized generally will be based on market conditions at the time of settlement, which may occur at the maturity of the derivative instrument or at the time of the repayment or refinancing of the underlying debt instrument.

U.S. 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. During 2017, no such transfers were made.

In order to manage our interest rate risk, we have entered into various derivative instruments, as further described in note 5. The recurring fair value measurements of these derivative instruments are determined using discounted cash flow models. Most of the inputs to these discounted cash flow models consist of, or are derived from, observable Level 2 data for substantially the full term of these derivative instruments. This observable data mostly includes interest rate futures and swap rates, which are retrieved or derived from available market data. Although we may extrapolate or interpolate this data, we do not otherwise alter this data in performing our valuations. We 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 counterparty. Effective January 1, 2017, we incorporated a Monte Carlo based approach into our calculation of the value assigned to the risk that we or our counterparty will default on our respective derivative obligations. Previously, we used a static calculation derived from our most current mark-to-market valuation to calculate the impact of counterparty credit risk. The adoption of a Monte Carlo based approach did not have a material impact on the overall fair value of our derivative instruments. Our and our counterparty's credit spreads represent our most significant Level 3 inputs, and these inputs are used to derive the credit risk valuation adjustments with respect to these instruments. As we would not expect changes in our or our counterparty's credit spreads to have a significant impact on the valuations of these instruments, we have determined that these valuations fall under Level 2 of the fair value hierarchy. Our credit risk valuation adjustments with respect to our interest rate swaps are quantified and further explained in note 5.

Fair value measurements are also used in connection with nonrecurring valuations performed in connection with acquisition accounting and impairment assessments. The nonrecurring valuations associated with acquisition accounting primarily include the valuation of cable television franchise rights, customer relationships and property and equipment. With the exception of certain inputs for our weighted average cost of capital and discount rate calculations that are derived from pricing services, the inputs used in our discounted cash flow analyses, such as forecasts of future cash flows, are based on our assumptions. The valuation of customer relationships and cable television franchise rights are primarily based on an excess earnings methodology, which is a form of a discounted cash flow analysis. The excess earnings methodology for customer relationship intangible assets 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. The excess earnings methodology for cable television franchise rights requires us to measure the cash flows associated with our right to solicit and service potential customers, and the right to deploy and market new services in the service areas covered by currently held franchise agreements, considering expectations on future customer additions and other factors similar to those used in valuing customer relationships. 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 nonrecurring valuations associated with acquisition accounting use significant unobservable inputs and therefore fall under Level 3 of the fair value hierarchy. See discussion below regarding the nonrecurring fair value measurements performed during 2017. During 2016, we did not perform any nonrecurring fair value measurements. During 2015, we performed nonrecurring valuations for the purpose of determining the acquisition accounting for the Choice Acquisition. The discount rates used to value the cable television franchise rights and customer relationships acquired as a result of this acquisition were approximately 12.25% and 11.75%, respectively.

In September 2017, the island of Puerto Rico was impacted by Hurricanes Maria and, to a lesser extent, Irma, resulting in extensive damage to homes, businesses and infrastructure. The effects of the hurricanes were deemed to constitute triggering events with respect to the need to assess certain assets for impairment. Nonrecurring valuations were performed in connection with these impairment assessments, most notably to measure the fair value of our company for purposes of assessing goodwill impairments and to measure the fair value of our cable television franchise rights. The nonrecurring valuations for impairment assessments used significant unobservable inputs and therefore fall under Level 3 of the fair value hierarchy. We used a discount rate of 8% in the valuation of our company, while a discount rate of 9% was used in the valuation of our cable television franchise rights. The valuation of our company used projected cash flows that reflected the significant risks and uncertainties associated with our recovery from Hurricanes Maria and Irma, including variables such as (i) the length of time it will take to restore the power and transmission systems, (ii) the number of people that will leave the island for an extended period or permanently and the associated impact on customer churn, (iii) the amount of potential insurance recoveries and (iv) the estimated capital expenditures required to restore our damaged network. For additional information regarding the impairment charges related to the hurricanes, see note 7.

(7) Long-lived Assets

Impairment Charges Associated with Hurricanes

In September 2017, our operations were severely impacted by Hurricanes Maria and, to a lesser extent, Irma. Based on our estimates of the impacts on our operations from these hurricanes, we recorded impairment charges to reduce the carrying values of our property and equipment and cable television franchise rights, as set forth in the table below (in millions). These impairment charges are based on our assessments of currently available information and, accordingly, it is possible that further impairment charges could be required if the adverse impacts of the hurricanes or estimated costs of recovery are greater than expected. Liberty Latin America maintains an integrated group property and business interruption insurance program that provides up to a limit of $75 million per occurrence, which is generally subject to self-insurance of $15 million per occurrence, of which up to $3 million is generally the responsibility of the markets that were impacted. The impairment charge in the table below related to property and equipment is net of $3.8 million of estimated probable third-party insurance recoveries for property and equipment damages that are expected to be covered by our insurance program. In addition, as a result of the hurricanes, enterprise level goodwill of $120.9 million allocated to Liberty Puerto Rico was fully impaired during the third quarter of 2017. The enterprise goodwill was recorded at an entity outside of Liberty Puerto Rico, and accordingly, the impairment does not impact the Liberty Puerto Rico consolidated financial statements.

Property and equipment (a)	$ 46.4
Cable television franchise rights (b)	44.1
Total	$ 90.5

(a) Amount represents estimated impairments recorded in order to write-off the net carrying amount of certain property and equipment that was damaged beyond repair.

(b) Amount represents an impairment charge recorded during the third quarter of 2017 that was necessary to reduce the carrying value of our cable television franchise rights to their estimated fair value.

For additional information regarding the impacts of the hurricanes and the fair value methods and related assumptions used in our impairment assessments, see note 6. For information regarding the impact of the hurricanes on our debt, see note 8. For additional information regarding our estimated probable insurance recoveries, see note 11.

Property and Equipment, Net

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

	Estimated useful life at December 31, 2017	December 31, 2017	December 31, 2016
		in millions	
Distribution systems	3 to 15 years	$ 644.8	$ 626.7
Support equipment, buildings and land	3 to 40 years	65.8	56.1
		710.6	682.8
Accumulated depreciation		(309.8)	(291.4)
Total property and equipment, net		$ 400.8	$ 391.4

Depreciation expense related to our property and equipment was $71.8 million, $68.3 million and $62.1 million during 2017, 2016 and 2015, respectively.

Most of our property and equipment is pledged as security under the Liberty Puerto Rico Bank Facility, as defined in note 8. For additional information, see note 8.

Goodwill and Cable Television Franchise Rights

Based on the results of our goodwill impairment tests triggered by the hurricanes, as further described above and in note 6, declines in the fair value of Liberty Puerto Rico resulted in goodwill impairment charges during the third quarter of 2017. These charges represented the full impairment of enterprise level goodwill allocated to Liberty Puerto Rico that was maintained at an entity outside of our borrowing group. In addition, as further described above and in note 6, we recognized a $44.1 million impairment charge to our cable television franchise rights as as result of the hurricanes. No additional impairments of our goodwill or cable television franchise rights were required to be recorded in connection with our October 1, 2017 impairment test.

During 2016, there were no changes in the balance of our goodwill and cable television franchise rights.

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

Customer Relationships, Net

The details of our customer relationships, which have an estimated average useful life of five years at December 31, 2017, are set forth below:

	December 31,	
	2017	2016
	in millions	
Gross carrying amount	$ 149.1	$ 149.1
Accumulated amortization	(62.4)	(46.7)
Net carrying amount	$ 86.7	$ 102.4

Amortization expense of intangible assets with finite useful lives was $15.7 million, $14.9 million and $12.5 million during 2017, 2016 and 2015, respectively. As a result of the impact from the hurricanes, we reduced the estimated average useful life of our customer relationships from 10 years to 5 years.

Based on our customer relationships balance at December 31, 2017, we expect that amortization expense will be as follows for the next five years (in millions):

2018	$ 18.3
2019	18.3
2020	18.2
2021	18.2
2022	13.7
Total	$ 86.7

(8) Debt and Capital Lease Obligations

Our third-party debt obligations are as follows:

	December 31, 2017		Estimated fair value (c)		Principal amount	
	Weighted average interest rate (a)	Unused borrowing capacity (b)	December 31, 2017	December 31, 2016	December 31, 2017	December 31, 2016
			in millions			
Third-party debt before discounts and deferred financing costs (d)	5.17%	$ —	$ 951.8	$ 935.2	$ 982.5	$ 942.5

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

	December 31, 2017	December 31, 2016
	in millions	
Third-party debt before discounts and deferred financing costs	$ 982.5	$ 942.5
Discounts and deferred financing costs	(11.3)	(15.3)
Total carrying amount of third-party debt	971.2	927.2
Capital lease obligations	—	0.2
Total third-party debt and capital lease obligations	971.2	927.4
Related-party debt (note 11)	25.0	—
Total debt and capital lease obligations	996.2	927.4
Less: Current maturities of debt and capital lease obligations	—	(0.2)
Long-term debt and capital lease obligations	$ 996.2	$ 927.2

(a) Represents the weighted average interest rate in effect at December 31, 2017 for all borrowings outstanding pursuant to each debt instrument, including any applicable margin. The interest rate presented represents the stated rate and does not include the impact of derivative instruments, deferred financing costs, original issue discounts and commitment fees, all of which affect our overall cost of borrowing. Including the effects of derivative instruments, original issue discounts and commitment fees, but excluding the impact of financing costs, our weighted average interest rate on our aggregate third-party indebtedness was 5.86% at December 31, 2017. For information regarding our derivative instruments, see note 5.

(b) Unused borrowing capacity represents the maximum availability under the LPR Revolving Loan (as defined and described below), at December 31, 2017 without regard to covenant compliance calculations or other conditions precedent to borrowing. In October 2017, we borrowed in full the $40.0 million LPR Revolving Loan. As a result, no further amounts are available to be borrowed under the LPR Revolving Loan.

(c) The estimated fair values of our debt instruments were determined using the average of applicable bid and ask prices (mostly Level 1 of the fair value hierarchy). For additional information concerning fair value hierarchies, see note 6.

(d) Represents the Liberty Puerto Rico Bank Facility, as defined and described below.

Liberty Puerto Rico Bank Facility

The Liberty Puerto Rico Bank Facility is the senior secured credit facility of our company. On December 20, 2017, in connection with challenging circumstances that we are experiencing as a result of the damage caused by the hurricanes, in particular Hurricane Maria, the LPR Credit Agreements were amended to (i) provide us relief from complying with leverage covenants through December 31, 2018, (ii) permanently increase the consolidated first lien net leverage ratio covenant from 4.5:1 to 5.0:1 beginning with the March 31, 2019 quarterly test date, (iii) restrict our ability to make certain types of payments to our Members, and ultimately to the Equity Commitment Guarantors, through December 31, 2018 and (iv) include an equity commitment of up to $60.0 million from the Equity Commitment Guarantors through December 31, 2018 to fund any potential liquidity shortfalls. The consolidated total net leverage ratio covenant level remained unchanged at 5.50:1. In addition, there was no change to the margins under the LPR Credit Agreements, no fees were paid in connection with these amendments and all other terms of the LPR Credit Agreements remain in full force and effect. Subsequent to December 31, 2017, we received $25.0 million of the $60.0 million equity commitment from the Equity Commitment Guarantors in the form of a subordinated related-party loan from Leo Cable.

In addition to the amendments described above, the Liberty Puerto Rico Bank Facility includes customary restrictive covenants, prepayment requirements and events of default, including certain cross-default and cross-acceleration provisions with respect to other indebtedness of Liberty Puerto Rico. With the exception of the restriction described above, the Liberty Puerto Rico Bank Facility permits Liberty Puerto Rico to transfer funds to its parent company (and indirectly to Liberty Latin America) through loans, dividends or other distributions provided that Liberty Puerto Rico maintains compliance with applicable covenants.

The Liberty Puerto Rico Bank Facility is (i) guaranteed by Liberty Puerto Rico and its subsidiary and (ii) secured by pledges over (a) the Liberty Puerto Rico shares indirectly owned by Liberty Latin America and Searchlight and (b) certain other assets owned by Liberty Puerto Rico.

The details of our borrowings under the Liberty Puerto Rico Bank Facility as of December 31, 2017 are summarized in the following table:

Liberty Puerto Rico Bank Facility	Maturity	Interest rate	Facility amount	Outstanding principal amount	Carrying value (a)
				in millions	
LPR First Lien Term Loan	January 7, 2022	LIBOR + 3.50% (b)	$ 850.0	$ 850.0	$ 840.1
LPR Second Lien Term Loan	July 7, 2023	LIBOR + 6.75% (b)	$ 92.5	92.5	91.1
LPR Revolving Loan (c)	July 7, 2020	LIBOR + 3.50%	$ 40.0	40.0	40.0
Total				$ 982.5	$ 971.2

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

(b) The LPR First Lien Term Loan and the LPR Second Lien Term Loan credit agreements each have a LIBOR floor of 1.0%.

(c) The LPR Revolving Loan has a fee on unused commitments of 0.50% or 0.375%, depending on the consolidated total net leverage ratio (as specified in the Liberty Puerto Rico Bank Facility).

Maturities of Debt

As of December 31, 2017, $40.0 million, $850.0 million and $92.5 million of our debt matures in 2020, 2022 and 2023, respectively.

Non-cash Refinancing Transactions

In April 2017, we entered into a term loan agreement to borrow an additional $85.0 million under the existing $765.0 million LPR First Lien Term Loan. The additional $85.0 million under LPR First Lien Term Loan has the same maturity date, interest rate and LIBOR floor as the existing LPR First Lien Term Loan. The additional borrowings under the LPR First Lien Term Loan were directly used to prepay $85.0 million of the $177.5 million outstanding principal amount under the LPR Second Lien Term Loan. The exchange in principal amounts was treated as a non-cash transaction in our consolidated statement of cash flows. In connection with these transactions, we recognized a loss on debt modification and extinguishment of $2.8 million related to the write-off of unamortized discounts and deferred financing costs.

During 2015, we increased principal amounts borrowed under the Liberty Puerto Rico Bank Facility aggregating $267.5 million in non-cash transactions that were used to settle outstanding obligations under a bridge loan incurred by Cayman Holding, in connection with the Choice Acquisition. For additional information regarding the Choice Acquisition, see note 4.

(9) Income Taxes

Prior to our formation, we were a separate tax-paying corporation in Puerto Rico. Subsequent to our formation, we are treated as a partnership that is not a separate tax-paying entity, but instead is a pass-through entity for U.S. federal and Puerto Rico income tax purposes.

Prior to the Choice Acquisition, Choice was a separate tax-paying corporation in Puerto Rico. Effective with the Choice Acquisition, Choice is treated as a disregarded entity for U.S. federal income tax purposes and as a partnership for Puerto Rico income tax purposes. In either case, Choice is not a separate tax-paying entity.

We file, and prior to the formation of Liberty Puerto Rico and the Choice Acquisition, our predecessors and the predecessor to Choice filed, tax returns in both Puerto Rico and U.S. tax jurisdictions. In the normal course of business, these income tax filings are subject to review by various taxing authorities. In connection with such reviews, disputes could arise with the taxing authorities over the interpretation or application of certain income tax rules related to our business in that tax jurisdiction. Such disputes may result in future tax and interest assessments by these taxing authorities. The ultimate resolution of tax contingencies, if any, will take place upon the earlier of (i) the settlement date with the applicable taxing authorities in either cash or agreement of income tax positions or (ii) the date when the tax authorities are statutorily prohibited from adjusting the company’s tax computations.

The tax returns filed by our predecessors for years prior to 2013 are no longer subject to examination by tax authorities. We do not anticipate that any adjustments that might arise from tax authorities’ examinations will have a material impact on our financial position or results of operations.

(10) Members’ Capital

Liberty Puerto Rico is a limited liability company. We have two Members, a Class A Preferred Unit Member (**Class A Preferred Member**) and a Class B Common Unit Member (**Class B Common Member**). Our limited liability company agreement (the **LLC Agreement**) requires any distribution to our Members be made in the following order of priority: (i) to the Class A Preferred Member, the amount of the aggregate accrued and unpaid Priority Return (as defined and described below), (ii) to the Class B Common Member until such Class B Common Member’s capital account has been reduced to the amount of the Class B Common Member’s capital contributions, (iii) to the Members in respect of their units on a pro rata basis, subject to certain limitations, and (iv) the balance, if any, to the Class B Common Member. In addition, we periodically pay taxes on behalf of our Members, which are recorded as distributions to the capital account of the Class A Preferred Member and Class B Common Member in our consolidated statements of changes in members’ capital, as applicable.

We allocate profits and losses to our Members as follows: (i) profits shall be allocated in the following order: (a) to our Class A Preferred Member in an amount equal to the excess, if any, of (1) the cumulative Priority Returns from the date of issuance of the Class A preferred units, as specified in the LLC Agreement, over (2) the sum of all profits to be allocated to the Class A Preferred Member and (b) all remaining profits shall be allocated to the Class B Common Member and (ii) all losses shall be allocated to the Class B Common Member.

A priority return (the **Priority Return**) shall be made, from time to time, to the Class A Preferred Member based on a per annum rate of 11% on the adjusted value of the Class A preferred units, as specified in the LLC Agreement. Whether or not declared, the Priority Return accrues on a daily basis, is cumulative and compounds annually on December 31. In accordance with the LLC

Agreement, Priority Returns are accrued and recorded quarterly as increases to the Class A Preferred Member capital and decreases to the Class B Common Member capital. The Priority Return shall be reflected as a liability, and generally only paid, when and if declared. As of December 31, 2017, we had no cumulative Priority Return accrued.

Transactions with Class A Preferred Member

During 2017, we paid distributions of (i) $18.7 million to our Class A Preferred Member and (ii) $15.5 million reflecting taxes we paid on behalf of our Class A Preferred Member. These distributions are reflected in distributions to Members, net, in our consolidated statements of cash flows and changes in members' capital.

During 2016, we paid distributions of (i) $30.0 million to our Class A Preferred Member and (ii) $5.0 million reflecting taxes we paid on behalf of our Class A Preferred Member. These distributions are reflected in distributions to Members in our consolidated statements of cash flows and changes in members' capital.

Transactions with Class B Common Member

During the first quarter of 2017, we paid a distribution of $18.6 million to our Class B Common Member. Subsequent to this distribution, our Class B Common Member repaid $12.3 million of the outstanding principal balance on the Cayman Holding Receivable, as defined and described in note 11, and made a $6.3 million contribution representing interest on the Cayman Holding Receivable. We then paid a distribution of $18.6 million back to our Class B Common Member. We have reflected these payments in distributions to Members, net, in our consolidated statements of cash flows and changes in members' capital.

During the fourth quarter of 2017, and following the borrowing of $40.0 million on the LPR Revolving Loan as further described in note 8, we paid amounts aggregating $65.0 million to our Class B Common Member. We have reflected these payments in distributions to Members, net, in our consolidated statements of cash flows and changes in members' capital. Subsequent to these distributions, our Class B Common Member paid us (i) $40.0 million in the form of a capital contribution and (ii) $25.0 million in the form of related-party debt, as further described in note 11. We have reflected the $40.0 million contribution in distributions to Members, net, in our consolidated statements of cash flows and changes in members' capital.

Liberty Puerto Rico issued 150 common shares to Cayman Holding in connection with the Choice Acquisition. For additional information, see note 4.

(11) Related-party Transactions

Our related-party transactions are as follows (in millions):

	Year ended December 31,		
	2017	2016	2015
Revenue	$ 1.0	$ —	$ —
Programming and other direct costs of services	(4.3)	(1.2)	—
Allocated share-based compensation expense	(0.7)	(0.2)	(0.3)
Insurance recoveries	0.8	—	—
Included in operating income (loss)	(3.2)	(1.4)	(0.3)
Interest expense	(0.2)	(0.6)	(1.6)
Included in net earnings (loss)	$ (3.4)	$ (2.0)	$ (1.9)

Revenue. This amount represents services provided to C&W.

Programming and other direct costs of services. These amounts represent services provided by C&W. Prior to the acquisition of C&W by Liberty Global on May 16, 2016, these costs were reflected as third-party expenses.

Allocated share-based compensation expense. These amounts represent share-based compensation expense that, prior to the Split-Off, Liberty Global allocated to our company with respect to share-based incentive awards held by certain of our employees. These charges have been reflected as an increase to members' capital in our consolidated statements of members capital. Following the Split-Off, share-based compensation expense will be allocated to us by Liberty Latin America.

Insurance recoveries. This amount represents the estimated probable insurance recoveries that will ultimately be the obligation of a captive insurance subsidiary of C&W (the **Captive**). This amount is included in impairment, restructuring and other operating items, net in our consolidated statement of operations.

Interest expense. The 2017 amount relates to the Cayman Holding Loan, as defined and described below. The 2016 and 2015 amounts relate to the LiLAC Communications Loan, as defined and described below, which was repaid in April 2016.

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

	December 31,	
	2017	2016
	in millions	
Assets:		
Other current assets (a)	$ 0.8	$ —
Other assets, net (b)	1.4	1.2
Total assets	$ 2.2	$ 1.2
Liabilities:		
Accounts payable (c)	$ 5.8	$ 2.0
Debt (d)	25.0	—
Other long-term liabilities (e)	0.2	—
Total liabilities	$ 31.0	$ 2.0

(a) The amount represents the estimated probable insurance recoveries that will ultimately be the obligation of the Captive.

(b) The amounts represent various related-party receivables, including quarterly estimated income tax payments we paid on behalf of Cayman Holding. Cayman Holding, which owns a 65.0% interest in Liberty Puerto Rico, is a pass-through entity for U.S. federal income tax purposes, but is treated as a corporation for income tax purposes in the Puerto Rico jurisdiction. The resulting receivables are non-interest bearing and will be cash or loan settled at the discretion of Leo Cable.

(c) The amounts represent various non-interest bearing related-party payables.

(d) On October 31, 2017, we entered into a loan agreement with Cayman Holding (the **Cayman Holding Loan**), which is subordinate in right of payment to the Liberty Puerto Rico Bank Facility. The Cayman Holding Loan bears interest at 4.89% per annum. Interest will accrue and be (i) payable on the last day of each month and on the date of each full or partial repayment of the outstanding principal or (ii) transferred to the principal balance of the loan on January 1 of each year.

(e) The amount represents accrued and unpaid interest on the Cayman Holding Loan.

In June 2015, Cayman Holding issued a related-party loan receivable to us in connection with the Choice Acquisition (the **Cayman Holding Receivable**). The Cayman Holding Receivable bears interest at 5.45% and has a maturity date of June 10, 2025. For financial reporting purposes, we have presented the Cayman Holding Receivable as a reduction of our members' capital. We do not accrue interest income on the Cayman Holding Receivable given our assessment that it is likely that we would directly or indirectly fund any amounts paid by the Class B Common Member with respect to the Cayman Holding Receivable. During 2017, \$12.3 million of principal was repaid and we received \$6.3 million of interest payments by our Class B Common Member that have been reflected as a capital contribution in our consolidated statement of members' capital. See note 4 for additional information regarding the Choice Acquisition and see note 10 for additional information regarding payments received on the Cayman Holding Receivable.

On December 31, 2012, we entered into a loan agreement with LiLAC Communications (the **LiLAC Communications Loan**), which was subordinate in right of payment to the Liberty Puerto Rico Bank Facility. The LiLAC Communications Loan bore interest at 10.0% per annum. Accrued and unpaid interest, if any, was added to the principal of the loan on January 1 of each year. On April 29, 2016, we cash settled the outstanding principal and accrued and unpaid interest on the LiLAC Communications Loan that totaled \$18.2 million through (i) a payment of principal and interest of \$13.3 million and \$3.5 million, respectively, and (ii) a payment of \$1.4 million to the Puerto Rico tax authorities representing withholding taxes for accrued interest on the LiLAC Communications Loan.

For information regarding distributions and contributions with our Members, see note 10.

During 2017, 2016 and 2015, we recorded aggregate capital charges of \$1.0 million, \$0.3 million and \$1.0 million, respectively, in our consolidated statements of changes in members' capital in connection with the exercise or release from restriction of Liberty Global share-based incentive awards held by certain of our employees. During 2016, we recorded a \$0.5 million adjustment to increase members' capital. This adjustment, which is presented within other, net in our consolidated statement of changes in members' capital, relates to capital charges associated with the 2015 exercise or release from restriction of Liberty Global share-based incentive awards held by certain of our employees. These charges are based on the fair value of the underlying Liberty Global shares associated with share-based incentive awards that are exercised or are released from restriction during the period.

(12) Restructuring Liabilities

A summary of changes in our restructuring liabilities during 2017, 2016 and 2015 is set forth in the table below:

	Employee severance and termination	Contract termination and other	Total
		in millions	
Restructuring liability as of January 1, 2015	$ —	$ 0.2	$ 0.2
Restructuring charges (a)	2.6	—	2.6
Choice liability at acquisition date	—	1.0	1.0
Cash paid	(2.4)	(1.0)	(3.4)
Restructuring liability as of December 31, 2015	0.2	0.2	0.4
Restructuring charges	1.0	0.2	1.2
Cash paid	(1.0)	—	(1.0)
Restructuring liability as of December 31, 2016 (b)	0.2	0.4	0.6
Cash paid	(0.2)	—	(0.2)
Other	—	(0.2)	(0.2)
Restructuring liability as of December 31, 2017 (b)	$ —	$ 0.2	$ 0.2

(a) During 2015, restructuring charges primarily relate to reorganization and integration activities following the Choice Acquisition. In addition, we incurred a $4.5 million restructuring charge related to the write-off of a prepaid asset in connection with a contract termination. For further information regarding the Choice Acquisition, see note 4.

(b) Our December 31, 2017 and 2016 restructuring liabilities are included in other accrued and current liabilities in our consolidated balance sheets.

During 2016, in addition to the restructuring charges set forth in the table above, we also incurred $11.6 million in restructuring charges related to the write-off of a prepaid indefeasible right of use for telecommunications capacity due to the abandonment of this capacity in favor of capacity on another of Liberty Latin America's subsidiary's network.

(13) Commitments and Contingencies

Commitments

In the normal course of business, we have entered into agreements that commit our company to make cash payments in future periods with respect to network and connectivity commitments and non-cancellable operating leases. As of December 31, 2017, such commitments are as follows:

	Payments due during:						
	2018	2019	2020	2021	2022	Thereafter	Total
				in millions			
Network and connectivity commitments (a)	$ 1.2	$ 1.2	$ 1.2	$ 1.2	$ 1.2	$ 4.6	$ 10.6
Operating leases	1.6	1.3	1.1	0.9	0.8	1.9	7.6
Total (b)	$ 2.8	$ 2.5	$ 2.3	$ 2.1	$ 2.0	$ 6.5	$ 18.2

(a) Represents amounts payable to another subsidiary of Liberty Latin America for network capacity.

(b) The commitments included in this table do not reflect any liabilities that are included in our December 31, 2017 consolidated balance sheet.

In addition to the commitments set forth in the table above, we have certain commitments under agreements with programming vendors, franchise authorities and municipalities pursuant to which we expect to make payments in future periods. While our programming commitments do not require that we pay any fixed minimum fees, we expect to make significant future payments under these contracts based on the actual number of subscribers to the programming services. In this regard, we incurred programming and copyright costs of $70.3 million, $100.0 million and $96.0 million during 2017, 2016 and 2015, respectively.

In addition to the commitments set forth in the table above, we have commitments under derivative instruments pursuant to which we expect to make payments in future periods. For information regarding our derivative instruments, including the net cash paid or received in connection with these instruments during 2017, 2016 and 2015, see note 5.

Legal and Regulatory Proceedings and Other Contingencies

PRTC and Class Action Claims. In November 2012, we acquired San Juan Cable, LLC dba Onelink Communications (**OneLink**). In connection with this transaction (the **OneLink Acquisition**), we became a party to certain claims previously asserted by the incumbent telephone operator (**PRTC**) against OneLink based on alleged conduct of OneLink that occurred prior to the OneLink Acquisition (the **PRTC Claim**). In July 2016, the judge presiding over the PRTC Claim granted OneLink summary judgment that dismissed the PRTC Claim in its entirety. Accordingly, we released our previously-recorded provision and related indemnification asset associated with the PRTC Claim, resulting in a $5.1 million reduction to our SG&A expenses during the third quarter of 2016. In December 2016, we received $7.5 million related to the reimbursement of legal fees we incurred in connection with the PRTC Claim, resulting in a reduction to our SG&A expenses during the fourth quarter of 2016 and the release of the former owners of OneLink from their obligations under the indemnification agreement entered into in connection with the OneLink Acquisition.

Regulatory Issues. Adverse regulatory developments could subject our business to a number of risks. Regulation, including conditions imposed on us by 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. In addition, regulation may restrict our operations and subject them to further competitive pressure, including pricing restrictions, interconnect and other access obligations, and restrictions or controls on content, including content provided by third parties. Failure to comply with current or future regulation could expose our business 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 wage, property, withholding and other tax issues and (iii) disputes over interconnection, programming and copyright 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.

(14) Segment Reporting

We have one reportable segment that provides video, broadband internet and fixed-line telephony services to residential and business customers in Puerto Rico.

Our revenue by major category is set forth below. Effective April 1, 2017, we changed the categories that we present in this table in order to align with our internal reporting. These changes were retroactively reflected in the prior-year periods.

	Year ended December 31,		
	2017	2016	2015
		in millions	
Residential cable revenue (a):			
Subscription revenue (b):			
Video	$ 124.5	$ 172.9	$ 169.9
Broadband internet	119.9	152.3	124.2
Fixed-line telephony	17.5	25.6	25.1
Total subscription revenue	261.9	350.8	319.2
Non-subscription revenue	16.6	22.5	20.8
Total residential cable revenue	278.5	373.3	340.0
B2B revenue (c):			
Subscription revenue	26.4	28.8	23.8
Non-subscription revenue	11.4	12.2	8.0
Total B2B revenue	37.8	41.0	31.8
Other revenue (d)	4.2	6.5	7.4
Total	$ 320.5	$ 420.8	$ 379.2

(a) Residential cable subscription revenue includes amounts received from subscribers for ongoing services. Residential cable non-subscription revenue includes, among other items, installation revenue and late fees.

(b) Subscription revenue from subscribers who purchase bundled services at a discounted rate is allocated proportionally to each service based on the standalone price for each individual service. As a result, changes in the standalone pricing of our cable products or the composition of bundles can contribute to changes in our product revenue categories from period to period.

(c) B2B subscription revenue represents revenue from services to certain small or home office (**SOHO**) subscribers. SOHO subscribers pay a premium price to receive expanded service levels along with video, broadband internet or fixed-line telephony services that are the same or similar to the mass marketed products offered to our residential subscribers. B2B non-subscription revenue includes business broadband internet, video, fixed-line telephony and data services offered to medium to large enterprises and, on a wholesale basis, to other telecommunication operators.

(d) Other revenue primarily includes franchise fees.

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 consolidated financial statements, is intended to assist in providing an understanding of our results of operations and financial condition and is organized as follows:

- *Forward-looking Statements.* This section provides a description of certain of the 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.
- *Results of Operations.* This section provides an analysis of our results of operations for the years ended December 31, 2017 and 2016.
- *Liquidity and Capital Resources.* This section provides an analysis of our liquidity, consolidated statements of cash flows and contractual commitments.

The capitalized terms used below have been defined in the notes to our consolidated financial statements. In the following text, the terms "we," "our," "our company" and "us" may refer, as the context requires, to Liberty Puerto Rico or collectively to Liberty Puerto Rico and its subsidiary.

Forward-looking Statements

Certain statements in this annual report constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. To the extent that statements in this annual 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 the economic environment in Puerto Rico, our business, product, finance strategies in 2018, the rate, cost and extent of our recovery from the impact of Hurricanes Maria and Irma, including our estimated property and equipment additions, programming and copyright costs, subscriber growth and retention rates, competitive, regulatory and economic factors, the timing and impacts of proposed transactions, the maturity of our market, 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, target leverage level, 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 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 Puerto Rico, including any adverse impacts that may arise as a result of the high level of Puerto Rico's sovereign debt and the ability of customers in Puerto Rico to pay for our services;
- the competitive environment in Puerto Rico, including competitor responses to our products and services;
- fluctuations in interest rates;
- instability in global financial markets, including sovereign debt issues and related fiscal reforms;
- consumer disposable income and spending levels, including the availability and amount of individual consumer debt;
- changes in consumer television viewing preferences and habits;
- consumer acceptance of our existing service offerings, including our cable television, broadband internet, fixed-line telephony 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;

- our ability to maintain or increase the number of subscriptions to our cable television, broadband internet and fixed-line telephony offerings and our average revenue per household;
- our ability to provide satisfactory customer service, including support for new and evolving products and services;
- our ability to maintain or increase rates to our subscribers or to pass through increased costs to our subscribers;
- the impact of our future financial performance, or market conditions generally, on the availability, terms and deployment of capital;
- changes in, or failure or inability to comply with, government regulations in Puerto Rico and adverse outcomes from regulatory proceedings;
- government intervention that requires opening our broadband distribution network to competitors;
- our ability to obtain regulatory approval and satisfy other conditions necessary to close acquisitions and dispositions and the impact of conditions imposed by competition and other regulatory authorities in connection with acquisitions;
- our ability to successfully acquire new businesses and, if acquired, to integrate, realize anticipated efficiencies from, and implement our business plan with respect to, the businesses we have acquired or that we expect to acquire, such as the acquisition of Choice;
- changes in laws or treaties relating to taxation, or the interpretation thereof;
- changes in laws and government regulations that may impact the availability and cost of capital and the derivative instruments that hedge certain of our financial risks;
- the ability of suppliers and vendors to timely deliver quality products, equipment, software, services and access;
- the availability of attractive programming for our video services and the costs associated with such programming, including retransmission and copyright fees payable to public and private broadcasters;
- uncertainties inherent in the development and integration of new business lines and business strategies;
- our ability to adequately forecast and plan future network requirements and contingencies, including resolution of those contingencies;
- the availability of capital for the acquisition and/or development of telecommunications networks and services;
- expectations with respect to liquidity, including cash from operations or insurance proceeds;
- certain factors outside of our control that may impact the timing and extent of the restoration of our networks and services following Hurricanes Maria and Irma, as further discussed in *Overview* below;
- problems we may discover post-closing with the operations, including the internal controls and financial reporting process, of businesses we acquire;
- the leakage of sensitive customer data;
- the loss of key employees and the availability of qualified personnel;
- changes in the nature of key strategic relationships with partners; and
- events that are outside of our control, such as political unrest in international markets, terrorist attacks, malicious human acts, hurricanes and other natural disasters, pandemics and other similar events.

The broadband distribution industry is changing rapidly and, therefore, the forward-looking statements of expectations, plans and intent in this annual report are subject to a significant degree of risk. These forward-looking statements and such risks, uncertainties and other factors speak only as of the date of this annual 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 a provider of video, broadband internet and fixed-line telephony services to residential and business customers in Puerto Rico. LiLAC Communications indirectly owns a 60.0% controlling interest in Liberty Puerto Rico, with the remaining 40.0% interest indirectly owned by Searchlight. LiLAC Communications is a wholly-owned subsidiary of Liberty Latin America, an international provider of video, broadband internet, fixed-line telephony and mobile services. On December 29, 2017, Liberty Global completed the Split-Off of its former wholly-owned subsidiary Liberty Latin America. For additional information regarding the Split-Off, see note 1 to our consolidated financial statements.

Impacts of Hurricanes

In September 2017, the island of Puerto Rico was impacted by Hurricanes Maria and, to a lesser extent, Irma, resulting in extensive damage to homes, businesses and infrastructure. Below we have included the net impact of the hurricanes on our revenue and Segment OCF, as defined in *Results of Operations*, during the three and twelve months ended December 31, 2017. Our assessment of the losses attributable to the hurricanes is ongoing, and as discussed below, we expect to incur additional costs and losses as we restore the damaged networks and reconnect customers. We continue to be uncertain as to the extent and ultimate completion of our restoration and reconnection efforts.

Hurricanes Maria and Irma also caused significant damage in certain markets within C&W (collectively with Liberty Puerto Rico, the **Impacted Markets**). Liberty Latin America maintains an integrated group property and business interruption insurance program that provides coverage for up to a limit of $75 million per occurrence, which is generally subject to self-insurance of $15 million per occurrence, of which up to $3 million is generally the responsibility of the Impacted Markets. Although the management of Liberty Latin America is continuing to assess the alternatives under the insurance policy, they currently believe that the hurricanes will result in at least two occurrences for the Impacted Markets. This program is subject to the normal terms and conditions applicable to this type of insurance. We expect that the insurance recovery will only cover a portion of the incurred losses of our business.

The damage caused by Hurricanes Maria and, to a lesser extent, Irma was extensive and widespread. Individuals and businesses across Puerto Rico continue to deal with significant challenges caused by the severe damage to essential infrastructure, including damage to Puerto Rico's power supply and transmission system. Similarly, our broadband communications network suffered extensive damage. As of December 31, 2017, we have been able to restore service to approximately 340,000 RGUs of our total estimated 738,500 RGUs. Additionally, we estimate that approximately $130 million of property and equipment additions is required to restore nearly all of our broadband communications network, approximately $50 million of which was incurred during the fourth quarter.

During the three and twelve months ended December 31, 2017, the effects of the hurricanes negatively impacted our revenue by an estimated $90 million and $109 million, respectively, and Segment OCF by an estimated $65 million and $80 million, respectively. Although these negative impacts will decline as the network is restored and customers are reconnected, we expect that the adverse impacts of the hurricanes on our revenue and Segment OCF will continue through 2018 and beyond. The severity of the hurricanes' impact on our revenue and Segment OCF will be influenced in part by the following uncertainties:

- the length of time that it will take to restore Puerto Rico's power and transmission system and to fully restore our network;
- the number of people that will choose to leave Puerto Rico for an extended period or permanently; and
- the ability of the Puerto Rico and U.S. governments to effectively oversee the recovery process in Puerto Rico.

In terms of liquidity, the cash provided by our operations was a significant source of pre-hurricane liquidity. As a result of the hurricane impacts, we do not expect we will generate positive cash from operations, inclusive of capital expenditures, until at least the latter half of 2018. In this regard, our immediate liquidity needs are being funded by available cash on hand, which includes

$40 million that was drawn under the Liberty Puerto Rico Bank Facility during the fourth quarter of 2017. No further amounts are available to be borrowed under the Liberty Puerto Rico Bank Facility. Other than cash on hand and any cash flow from operations, future liquidity sources are expected to include insurance proceeds and an equity commitment through December 31, 2018 of up to $60 million from the Equity Commitment Guarantors, to fund any potential liquidity shortfalls. Subsequent to December 31, 2017, we received $25 million of the $60 million equity commitment from the Equity Commitment Guarantors in the form of a subordinated related-party loan from Leo Cable. While there are still uncertainties with respect to our recovery from the hurricanes, and no assurance can be given as to the ultimate amount or timing of liquidity to be received from cash from operations or insurance proceeds, we expect our existing and potential sources of liquidity, together with the temporary relief from complying with the leverage covenants, will be sufficient to satisfy our liquidity requirements over the next twelve months.

For further information regarding impairment assessments triggered by the hurricanes, including the related valuation assumptions used, see notes 6 and 7 to our consolidated financial statements. For information regarding the impacts of Hurricanes Irma and Maria on our outstanding debt, see note 8 to our consolidated financial statements. For information regarding the impacts of Hurricanes Irma and Maria on our cash flows and liquidity, see note 1 to our consolidated financial statements and the discussion under "*Liquidity and Capital Resources — Sources and Uses of Cash*" below.

Operations

As described above, Hurricanes Maria and, to a lesser extent, Irma caused significant damage to our operations, resulting in disruptions to our telecommunications services. As we are still in the process of assessing the operational impacts of the hurricanes, we are unable to accurately estimate our homes passed and subscriber numbers as of December 31, 2017. Accordingly, the December 31, 2017 subscriber numbers reflect the subscribers amounts as of August 31, 2017 as adjusted for net voluntary disconnects through December 31, 2017 and the homes passed reflect the August 31, 2017 levels adjusted for approximately 30,000 homes that were destroyed in geographic areas we may not rebuild.

At December 31, 2017, we owned and operated a network that passed 1,076,900 homes and served 738,500 RGUs, consisting of 313,100 broadband internet subscribers, 232,100 video subscribers and 193,300 fixed-line telephony subscribers.

Video services. Our enhanced video service offerings include basic and premium programming delivered on a digital television platform that enables our customers to control when and where they watch their programming. These advanced services are delivered over our hybrid fiber coaxial cable network and include a digital video recorder, a video-on-demand (**VoD**) offering and an advanced electronic programming guide. Our video customers can access over 60 applications from content providers to watch streamed linear and VoD programming by authenticating as a customer. Our channel offerings include the most relevant content to our subscribers, combining general entertainment, sports, movies, documentaries, lifestyle, news, adult, children and foreign channels, as well as local, regional and international broadcast networks.

Broadband internet services. We launched the Connect Box to our subscribers in 2017. The Connect Box is a next generation WiFi and telephony gateway that enables us to maximize the impact of our ultrafast broadband network by providing reliable wireless connectivity throughout the home. This gateway has an automatic WiFi optimization function, which selects the best possible wireless frequency at any given time. Our subscribers generally access the internet at download speeds up to 300 Mbps, depending on the area and tier of service selected. We determine pricing for each different tier of broadband internet service through analysis of speed, market conditions and other factors.

Fixed-line telephony services. We offer multi-feature fixed-line telephony service using voice-over-internet-protocol or "VoIP" technology. Our digital telephony services cover international, local and domestic service.

Strategy and Management Focus

We strive to achieve organic revenue and customer growth in our operations by developing and marketing bundled entertainment and information and communications services, and extending and upgrading the quality of our network where appropriate. As we use the term, organic growth excludes the estimated impact of any acquisitions. While we seek to increase our customer base, we also seek to maximize the average revenue we receive from each household by increasing the penetration of our digital video, broadband internet and fixed-line telephony services with existing customers through product bundling and upselling.

Competition and Other External Factors

We are facing a challenging economic environment in Puerto Rico. This environment is due in part to the government's liquidity issues. In this regard, the Puerto Rico government has failed to make significant portions of its scheduled debt payments during 2016 and 2017. Although the Puerto Rico government had implemented tax increases and other measures to improve its solvency and the U.S. had implemented legislation designed to help manage Puerto Rico's debt crisis, the Puerto Rico government filed for a form of bankruptcy protection in May 2017, and Puerto Rico's public utility followed suit in July 2017. In addition, myriad austerity measures, including with respect to public spending on pensions, public healthcare and education, have been either recommended, mandated by the fiscal oversight board charged with overseeing Puerto Rico's recovery and/or adopted by the Puerto Rico government. Notwithstanding the potential short-term uplift in Puerto Rico's economy resulting from the recovery efforts, if the fiscal and economic conditions in Puerto Rico were to continue to worsen, including with respect to the longer term impact of the hurricanes discussed above, the population of Puerto Rico could continue to decline and the demand and ability of customers to pay for our services could be impaired, both of which could have a negative impact on our results of operations, cash flows and financial condition.

In addition, high levels of sovereign debt in the U.S., combined with weak growth and high unemployment, could potentially lead to fiscal reforms (including austerity measures), tax increases, sovereign debt restructurings, currency instability, increased counterparty credit risk, high levels of volatility and disruptions in the credit and equity markets, as well as other outcomes that might adversely impact our company. The occurrence of any of these events could have an adverse impact on, among other matters, our liquidity and cash flows.

Results of Operations

General

As we use the term, "**Segment OCF**" is defined as operating income before depreciation and amortization, share-based compensation, provisions and provision releases related to significant litigation and impairment, restructuring and other operating items. Other operating items include (i) gains and losses on the disposition of long-lived assets, (ii) third-party costs directly associated with successful and unsuccessful acquisitions and dispositions, including legal, advisory and due diligence fees, as applicable, and (iii) other acquisition-related items, such as gains and losses on the settlement of contingent consideration.

We are subject to inflationary pressures with respect to certain costs. Any cost increases that we are not able to pass on to our subscribers through rate increases would result in increased pressure on our operating margins.

Revenue

We derive our revenue primarily from (i) residential broadband communications services, including video, broadband internet and fixed-line telephony services, and (ii) B2B communications services.

While not specifically discussed in the below explanations of the changes in our revenue, we are experiencing significant competition in our market. This competition has an adverse impact on our ability to increase or maintain our RGUs and/or ARPU, as defined below.

Variances in the subscription revenue that we receive from our customers are a function of (i) changes in the number of RGUs during the period and (ii) changes in average monthly subscription revenue per average RGU (**ARPU**). Changes in ARPU can be attributable to (i) changes in prices, (ii) changes in bundling or promotional discounts, (iii) changes in the tier of services selected, (iv) variances in subscriber usage patterns and (v) the overall mix of cable products during the period. In the following discussion, we discuss ARPU changes in terms of the net impact of the above factors on the ARPU that is derived from our video, broadband internet and fixed-line telephony products. Variances in our revenue during 2017, as compared with 2016, were also impacted by Hurricanes Maria and Irma. We have separately identified the impacts of the hurricanes in our below discussion of revenue in order to provide more meaningful comparisons resulting from changes in RGUs and ARPU. For additional information regarding the impact of the hurricanes on our subscriber counts, see the discussion in *Overview* above.

Effective April 1, 2017, we retroactively changed the presentation of our revenue by major category. For additional information regarding this change and what comprises each major revenue category, see note 14 to our consolidated financial statements. Our revenue by major category is set forth below:

	Year ended December 31,		Decrease	
	2017	2016	$	%
	in millions, except percentages			
Residential cable revenue:				
Subscription revenue:				
Video	$ 124.5	$ 172.9	$ (48.4)	(28.0)
Broadband internet	119.9	152.3	(32.4)	(21.3)
Fixed-line telephony	17.5	25.6	(8.1)	(31.6)
Total subscription revenue	261.9	350.8	(88.9)	(25.3)
Non-subscription revenue	16.6	22.5	(5.9)	(26.2)
Total residential cable revenue	278.5	373.3	(94.8)	(25.4)
B2B revenue:				
Subscription revenue	26.4	28.8	(2.4)	(8.3)
Non-subscription revenue	11.4	12.2	(0.8)	(6.6)
Total B2B revenue	37.8	41.0	(3.2)	(7.8)
Other revenue	4.2	6.5	(2.3)	(35.4)
Total	$ 320.5	$ 420.8	$ (100.3)	(23.8)

The details of the decreases in revenue during 2017, as compared to 2016, are set forth in the table below. In order to provide a meaningful analysis of our business prior to the hurricanes, changes in (i) residential cable subscription revenue due to changes in the average number of RGUs and ARPU, (ii) residential cable non-subscription revenue, (iii) B2B revenue and (iv) other revenue, each reflect changes during the nine months ended September 30, 2017, as compared to the corresponding period in 2016, exclusive of the changes resulting from the hurricanes. We present the changes in revenue as a result of the hurricanes separately in the table below. For additional details of the decreases in revenue due to the hurricanes, see footnote (c) to the table below.

	Subscription revenue	Non-subscription revenue	Total
		in millions	
Increase in residential cable subscription revenue due to change in:			
Average number of RGUs (a)	$ 6.1	$ —	$ 6.1
ARPU (b)	0.4	—	0.4
Increase in residential cable non-subscription revenue	—	1.1	1.1
Decrease in residential cable revenue as a result of the hurricanes (c)	(95.4)	(7.0)	(102.4)
Total decrease in residential cable revenue	(88.9)	(5.9)	(94.8)
Increase (decrease) in B2B revenue	(1.3)	1.8	0.5
Decrease in other revenue	—	(1.0)	(1.0)
Decrease in B2B and other revenue as a result of the hurricanes (c)	(1.1)	(3.9)	(5.0)
Total	$ (91.3)	$ (9.0)	$ (100.3)

(a) The increase is primarily attributable to an increase in broadband internet RGUs that was only partially offset by a decline in video RGUs.

(b) The increase is attributable to the net effect of (i) a net increase due to (a) higher ARPU from broadband internet services and (b) lower ARPU from fixed-line telephony and video services and (ii) an adverse change in RGU mix.

(c) Amounts represent the decreases in revenue during the twelve months ended December 31, 2017 as compared to the corresponding period in 2016, resulting from Hurricanes Maria and Irma. These decreases are primarily due to customer credits recorded through December 31, 2017 associated with service interruptions. Additionally, customer disconnects, reductions in late charges and lower advertising revenue also contributed to the hurricane-related decline during 2017. For additional information regarding the impacts of the hurricanes, see *Overview* above.

Programming and other direct costs of services

Programming and other direct costs of services include programming and copyright and other direct costs related to our operations. Notwithstanding the impact of the hurricanes, programming and copyright costs, which represent a significant portion of our operating costs, are expected to rise in future periods as a result of (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, (ii) rate increases and (iii) growth in the number of our enhanced video subscribers.

Our programming and other direct costs of services decreased $31 million or 27.4% during 2017, as compared to 2016, primarily attributable to (i) a decrease of $22 million due to credits from vendors and lower utility costs during the third and fourth quarters of 2017 stemming from Hurricanes Irma and Maria and (ii) a decrease in premium content costs.

Other operating expenses

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

Our other operating expenses decreased $1 million or 1.9% during 2017, as compared to 2016, primarily due to lower indirect costs of approximately $2 million attributable to Hurricanes Irma and Maria.

SG&A expenses

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.

Our SG&A expenses (exclusive of share-based compensation expense) increased $11 million or 29.3% during 2017, as compared to 2016. This increase is primarily attributable to a $13 million increase associated with the effective settlement of certain claims in 2016, including (i) an increase of $5 million resulting from the net impact of the reversal of a previously-recorded provision and related indemnification asset associated with the resolution of certain legal claims that were originally recorded in connection with the acquisition of OneLink and (ii) the receipt of $8 million of indemnification proceeds from the former owners of OneLink.

Share-based compensation expense (included in SG&A expenses)

We recognized share-based compensation expense of $1 million and $3 million during 2017 and 2016, respectively. The expense recognized includes (i) amounts allocated to our company, as further described in note 11, and (ii) amounts related to performance share unit awards granted pursuant to our liability-based plan.

Depreciation and amortization expense

Our depreciation and amortization expense increased $4 million or 5.2% during 2017, as compared to 2016. This increase is primarily attributable to the net effect of (i) an increase associated with property and equipment additions, primarily related to the pre-hurricane expansion and upgrade of our network, the installation of customer premises equipment 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 $91 million during 2017, as compared to $13 million during 2016. The charges during 2017 are primarily attributable to impairment charges recorded during the third and fourth quarters of 2017 related to the reduction of the carrying values of our property and equipment and other indefinite-lived intangible assets due to the impacts of Hurricanes Irma and Maria.

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 additional impairment charges are required in order to reduce the carrying values of our goodwill, cable television franchise rights and, to a lesser extent, other long-lived assets. Additionally, as discussed in note 6 to our consolidated financial statements, further impairment charges could be recorded as more information becomes available regarding the impacts of Hurricanes Irma and Maria. Any such impairment charges could be significant.

The charges during 2016 are primarily attributable to restructuring charges of $13 million, including (i) $12 million related to the write-off of a prepaid indefeasible right of use for telecommunications capacity due to the abandonment of this capacity in favor of capacity on another of Liberty Latin America's subsidiary's network and (ii) employee severance and termination costs of $1 million related to certain reorganization and integration activities in connection with the Choice Acquisition.

For additional information regarding the Choice Acquisition, see note 4 to our consolidated financial statements. For additional information regarding our restructuring charges, see note 12 to our consolidated financial statements.

Interest expense – third-party

Our third-party interest expense remained unchanged during 2017, as compared to 2016. For additional information regarding our outstanding third-party indebtedness, see note 8 to our consolidated financial statements. It is possible that the interest rates on (i) any new borrowings could be higher than the current interest rates on our existing indebtedness and (ii) our variable-rate indebtedness could increase in future periods. As further discussed in note 5 to our consolidated financial statements, we use derivative instruments to manage our interest rate risks.

Interest expense – related-party

Our related-party interest expense decreased slightly during 2017, as compared to 2016. This decrease is primarily due to the repayment of the LiLAC Communications Loan in April 2016. For additional information regarding our related-party debt, see note 11 to our consolidated financial statements.

Other expense, net

Our other expense, net, increased $2 million during 2017, as compared to 2016, primarily attributable to a loss on debt extinguishment and modification related to the write-off of unamortized discounts and deferred financing costs.

For additional information regarding our loss on debt modification and extinguishment, see note 8 to our consolidated financial statements.

Realized and unrealized losses on derivative instruments, net

Our realized and unrealized losses on derivative instruments, net, were $3 million and $2 million during 2017 and 2016, respectively. The losses during 2017 and 2016 are primarily attributable to changes in market interest rates in the U.S. dollar market.

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

Net earnings (loss)

We reported net earnings (loss) of ($104 million) and $58 million during 2017 and 2016, respectively, including (i) operating income (loss) of ($47 million) and $113 million, respectively, and (ii) net non-operating expenses of $57 million and $55 million, respectively.

Gains or losses associated with changes in the fair values of derivative instruments are subject to a high degree of volatility and, as such, any gains from this source does not represent a reliable source of income. In the absence of significant gains in the future from this source or from other non-operating items, our ability to achieve earnings is largely dependent on our ability to increase our Segment OCF to a level that more than offsets the aggregate amount of our (i) share-based compensation expense, (ii) depreciation and amortization, (iii) impairment, restructuring and other operating items, net, (iv) interest expense and (v) other non-operating expenses.

Subject to the limitations included in our various debt instruments, we expect that Liberty Latin America will continue to cause our company to maintain our debt at current levels. As a result, we expect that we will continue to report significant levels of interest expense for the foreseeable future. For information concerning the impacts of the hurricanes on our expectations with respect to trends that may affect certain aspects of our operating results in future periods, see the discussion in *Overview* above.

Liquidity and Capital Resources

Sources and Uses of Cash

Our liquidity is generally used to fund property and equipment additions and debt service requirements. From time to time, we may also require cash in connection with (i) the repayment of any outstanding debt, (ii) acquisitions and other investment opportunities, (iii) distributions or loans to our Members and (iv) satisfaction of contingencies.

We had $41 million of cash and cash equivalents at December 31, 2017. In addition to our existing cash and cash equivalents, the primary sources of our pre-hurricane liquidity was cash provided by operations and borrowings available under the Liberty Puerto Rico Bank Facility, as further described in note 8 to our consolidated financial statements. As a result of the hurricane impacts, we do not expect we will generate positive cash from operations, inclusive of capital expenditures, until at least the latter half of 2018. As of December 31, 2017, we have been able to restore service to approximately 340,000 RGUs of our total estimated 738,500 RGUs. Additionally, we estimate that approximately $130 million of property and equipment additions is required to restore nearly all of our broadband communications network, approximately $50 million of which was incurred during the fourth quarter of 2017. In this regard, our immediate liquidity needs are being funded by available cash on hand, which includes $40 million that was drawn under the Liberty Puerto Rico Bank Facility during the fourth quarter of 2017. No further amounts are available to be borrowed under the Liberty Puerto Rico Bank Facility. Other than cash on hand and any cash flow from operations, future liquidity sources are expected to include insurance proceeds and an equity commitment through December 31, 2018 of up to $60 million from the Equity Commitment Guarantors to fund any potential liquidity shortfalls. Subsequent to December 31, 2017, we received $25 million of the $60 million equity commitment from the Equity Commitment Guarantors in the form of a subordinated related-party loan from Leo Cable. While there are still uncertainties with respect to our recovery from the hurricanes, and no assurance can be given as to the ultimate amount or timing of liquidity to be received from cash from operations or insurance proceeds, we expect our existing and potential sources of liquidity, together with the temporary relief from complying with the leverage covenants, will be sufficient to satisfy our liquidity requirements over the next twelve months.

For additional information concerning our cash flows, see the discussion under *Consolidated Statements of Cash Flows* below.

Capitalization

During the fourth quarter of 2017, we were provided relief from complying with leverage covenants through December 31, 2018. At December 31, 2017, the outstanding principal amount of our third-party debt aggregated $983 million, of which $40 million is due in 2020 and $943 million is due in 2022 or thereafter. For additional information concerning our debt maturities, see note 8 to our consolidated financial statements.

Our ability to access debt financing on favorable terms will be compromised for the foreseeable future as we work through our recovery from the hurricanes and the related impacts on our liquidity and ability to comply with the terms of the Liberty Puerto Rico Bank Facility. 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. For additional information regarding the impacts of the hurricanes, see the related discussion in *Overview* above and note 8 to our consolidated financial statements.

Consolidated Statements of Cash Flows

Summary. Our 2017 and 2016 consolidated statements of cash flows are summarized as follows:

	Year ended December 31, 2017	Year ended December 31, 2016	Change
	in millions		
Net cash provided by operating activities	$ 67.7	$ 146.7	$ (79.0)
Net cash used by investing activities	(90.9)	(84.6)	(6.3)
Net cash used by financing activities	(14.3)	(49.3)	35.0
Net increase (decrease) in cash and cash equivalents	$ (37.5)	$ 12.8	$ (50.3)

Operating Activities. The decrease in net cash provided by our operating activities is primarily attributable to the net effect of (i) a decrease from our Segment OCF, including a decline of approximately $80 million resulting from the impacts of the hurricanes, and (ii) an increase due to lower cash payments for interest.

Investing Activities. The increase in net cash used by our investing activities is attributable to higher capital expenditures.

The capital expenditures that we report in our consolidated statements of cash flows do not include amounts that are financed under capital lease arrangements. Instead, these amounts are reflected as non-cash additions to our property and equipment when the underlying assets are delivered and as repayments of debt when the principal is repaid. In the following discussion, we refer to (i) our capital expenditures as reported in our consolidated statements of cash flows and (ii) our total property and equipment additions, which include our capital expenditures on an accrual basis and amounts financed under capital lease arrangements.

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

	Year ended December 31, 2017	Year ended December 31, 2016
	in millions	
Property and equipment additions	$ 132.2	$ 91.0
Changes in current liabilities related to capital expenditures	(41.3)	(6.4)
Capital expenditures	$ 90.9	$ 84.6

The increase in property and equipment additions is attributable to the net effect of (i) an increase of approximately $50 million attributable to the ongoing recovery from the hurricanes, (ii) an increase in expenditures for (a) new build and upgrade projects prior to the impact of the hurricanes and (b) support capital, such as information technology upgrades and general support systems, and (iii) a decrease in expenditures for the purchase and installation of customer premises equipment. During 2017 and 2016, our property and equipment additions represented 41.2% and 21.6% of our revenue, respectively. This increase in property and equipment additions as a percentage of revenue is primarily a function of the significant decrease in revenue year-over-year as a result of the hurricanes, as further discussed in *Results of Operations* above, together with the increase in property and equipment additions during the fourth quarter of 2017.

Financing Activities. The decrease in net cash used by our financing activities is primarily due to the net effect of (i) an increase in distributions to Members, net of $55 million, (ii) higher borrowings of third-party debt of $40 million, (iii) higher borrowings of related-party debt of $25 million, (iv) the full $13 million repayment of the LiLAC Communications Loan in 2016 and (v) partial repayments of $12 million received on the Cayman Holding Receivable in 2017.

Contractual Commitments

The following table sets forth our commitments as of December 31, 2017:

	Payments due during:						
	2018	2019	2020	2021	2022	Thereafter	Total
				in millions			
Debt (excluding interest)	$ —	$ —	$ 40.0	$ —	$ 850.0	$ 92.5	$ 982.5
Network and connectivity commitments	1.2	1.2	1.2	1.2	1.2	4.6	$ 10.6
Operating leases	1.6	1.3	1.1	0.9	0.8	1.9	7.6
Total (a)	$ 2.8	$ 2.5	$ 42.3	$ 2.1	$ 852.0	$ 99.0	$ 1,000.7
Projected cash interest payments on third-party debt (b)	$ 51.5	$ 51.5	$ 51.6	$ 51.6	$ 8.4	$ 4.3	$ 218.9

(a) The commitments included in this table do not reflect any liabilities that are included in our December 31, 2017 consolidated balance sheet other than debt.

(b) Amounts are based on interest rates, interest payment dates, commitment fees and contractual maturities in effect as of December 31, 2017. These amounts are presented for illustrative purposes only and will likely differ from the actual cash payments required in future periods. In addition, the amounts presented do not include the impact of our derivative contracts.

For information concerning our debt, see note 8 to our consolidated financial statements. For information concerning our commitments, see note 13 to our consolidated financial statements.

In addition to the commitments set forth in the table above, we have commitments under derivative instruments, pursuant to which we expect to make payments in future periods. For information regarding projected cash flows associated with our derivative instruments, see *Projected Cash Flows Associated with Derivative Instruments* below. For information regarding our derivative instruments, including the net cash paid in connection with these instruments during 2017, 2016 and 2015, see note 5 to our consolidated financial statements.

Projected Cash Flows Associated with Derivative Instruments

The following table provides information regarding the projected net cash flows associated with our derivative instruments. The amounts presented below are based on interest rates that were in effect as of December 31, 2017. These amounts are presented for illustrative purposes only and will likely differ from the actual cash payments required in future periods. For additional information regarding our derivative instruments, including our counterparty credit risk, see note 5 to our consolidated financial statements.

	Payments (receipts) due during:						
	2018	2019	2020	2021	2022	Thereafter	Total
				in millions			
Interest-related (a)	$ 6.8	$ 6.0	$ 5.4	$ 4.9	$ 0.8	$ (0.2)	$ 23.7

(a) Includes the cash flows of our interest rate cap and swap contracts.