LIBERTY CABLEVISION
OF PUERTO RICO LLC

Financial Statements
December 31, 2013

LIBERTY CABLEVISION OF PUERTO RICO LLC
Urb. Industrial Tres Monjitas
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San Juan, Puerto Rico
00918-1485

LIBERTY CABLEVISION OF PUERTO RICO LLC

FINANCIAL STATEMENTS

DECEMBER 31, 2013

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Independent Auditors' Report

The Board of Directors
Liberty Cablevision of Puerto Rico LLC

We have audited the accompanying financial statements of Liberty Cablevision of Puerto Rico LLC, which comprise the balance sheets as of December 31, 2013 and 2012, and the related statements of operations, changes in members' capital, and cash flows for the three-year period ended December 31, 2013, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these 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 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 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 financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditors' judgment, including the assessment of the risks of material misstatement of the 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 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 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 financial statements referred to above present fairly in all material respects, the financial position of Liberty Cablevision of Puerto Rico LLC as of December 31, 2013 and 2012, and the results of its operations and its cash flows for the three-year period ended December 31, 2013, in accordance with U.S. generally accepted accounting principles.

Other Matters

Management's Discussion and Analysis is presented for purposes of additional analysis and is not a required part of the basic financial statements. Such information has not been subjected to the audit procedures applied in the audit of the basic financial statements, and accordingly, we do not express an opinion or provide any assurance on it.

KPMG LLP

San Juan, Puerto Rico
April 11, 2014

Stamp No. E100991 of the Puerto Rico
Society of Certified Public Accountants
was affixed to the record copy of this report.

LIBERTY CABLEVISION OF PUERTO RICO LLC

BALANCE SHEETS

	December 31, 2013	December 31, 2012 (a)
	in millions	
ASSETS		
Current assets:		
Cash	$ 9.5	$ 2.4
Trade receivables, net	8.2	11.0
Prepaid assets	2.8	4.3
Other current assets	16.8	11.0
Total current assets	37.3	28.7
Property and equipment, net (note 6)	267.3	248.0
Goodwill (note 6)	226.1	226.1
Franchise rights and other (note 6)	437.6	437.3
Intangible assets subject to amortization, net (note 6)	80.0	88.5
Other assets, net	26.9	28.8
Total assets	$ 1,075.2	$ 1,057.4
LIABILITIES AND MEMBERS' CAPITAL		
Current liabilities:		
Accounts payable	$ 12.4	$ 13.9
Accrued programming	2.7	2.9
Deferred revenue and advance payments from subscribers	8.9	7.4
Accrued capital expenditures	4.6	0.8
Current portion of debt and capital lease obligations (note 7)	5.7	5.3
Other accrued and current liabilities (note 11)	39.7	39.6
Total current liabilities	74.0	69.9
Long-term debt and capital lease obligations (note 7):		
Third-party	660.9	659.2
Related-party	13.3	10.0
Other long-term liabilities	5.5	5.1
Total liabilities	753.7	744.2
Commitments and contingencies (notes 3, 7, 9 and 12)		
Members' capital (note 9)	321.5	313.2
Total liabilities and members' capital	$ 1,075.2	$ 1,057.4

(a) As revised – see note 3.

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

LIBERTY CABLEVISION OF PUERTO RICO LLC

STATEMENTS OF OPERATIONS

	Year ended December 31,		
	2013	2012	2011
		in millions	
Revenue	$ 297.2	$ 145.5	$ 116.3
Operating costs and expenses:			
Operating (other than depreciation and amortization) (note 10)	142.6	68.3	56.6
Selling, general and administrative (SG&A) (including share-based compensation) (note 10)	47.7	24.7	18.8
Depreciation and amortization	55.1	29.6	24.0
Impairment, restructuring and other operating items, net (note 11)	15.2	14.7	0.9
	260.6	137.3	100.3
Operating income	36.6	8.2	16.0
Financial and other income (expense):			
Interest expense:			
Third-party	(47.9)	(12.5)	(4.7)
Related-party (note 10)	(1.2)	—	—
Interest income	—	0.1	0.1
Realized and unrealized losses on derivative instruments, net	—	(2.4)	(4.7)
Loss on debt extinguishment (note 7)	—	(4.4)	—
Net financial and other expense	(49.1)	(19.2)	(9.3)
Earnings (loss) before income taxes	(12.5)	(11.0)	6.7
Income tax benefit (note 8)	—	80.0	1.9
Net earnings (loss)	$ (12.5)	$ 69.0	$ 8.6

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

LIBERTY CABLEVISION OF PUERTO RICO LLC

STATEMENTS OF CHANGES IN MEMBERS' CAPITAL

	Class A preferred units	Class B common units	Predecessor member's capital	Total members' capital
	in millions			
Balance at January 1, 2011	$ —	$ —	$ 17.6	$ 17.6
Net earnings	—	—	8.6	8.6
Share-based compensation (note 10)	—	—	0.5	0.5
Capital charge in connection with the exercise or release of share-based incentive awards (note 10)	—	—	(0.7)	(0.7)
Balance at December 31, 2011	—	—	26.0	26.0
Net earnings for the period from January 1, 2012 to November 8, 2012	—	—	70.4	70.4
Share-based compensation for the period from January 1, 2012 to November 8, 2012 (note 10)	—	—	0.3	0.3
Capital charge in connection with exercise or release of share-based incentive awards for the period from January 1, 2012 to November 8, 2012 (note 10)	—	—	(1.0)	(1.0)
Balance at November 8, 2012 (note 1)	—	—	95.7	95.7
Transfer of member's capital in connection with the November 2012 Merger (note 9)	—	95.7	(95.7)	—
Puerto Rico Transaction (note 3) (a)	220.3	—	—	220.3
Priority Return (note 9)	(1.5)	—	—	(1.5)
Net loss for the period from November 9, 2012 to December 31, 2012	—	(1.4)	—	(1.4)
Share-based compensation for the period from November 9, 2012 to December 31, 2012 (note 10)	—	0.1	—	0.1
Balance at December 31, 2012	218.8	94.4	—	313.2
Priority Return (note 9)	13.6	(12.1)	—	1.5
Net loss	—	(12.5)	—	(12.5)
Cash contributed by parent following settlement of Puerto Rico Transaction claim (note 3)	—	19.9	—	19.9
Share-based compensation (note 10)	—	0.4	—	0.4
Capital charge in connection with exercise or release of share-based incentive awards (note 10)	—	(1.0)	—	(1.0)
Balance at December 31, 2013	$ 232.4	$ 89.1	$ —	$ 321.5

(a) As revised – see note 3.

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

LIBERTY CABLEVISION OF PUERTO RICO LLC

STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2013	2012	2011
		in millions	
Cash flows from operating activities:			
Net earnings (loss)	$ (12.5)	$ 69.0	$ 8.6
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:			
Share-based compensation expense	0.4	0.4	0.5
Depreciation and amortization	55.1	29.6	24.0
Impairment, restructuring and other operating items, net	15.2	14.7	0.9
Amortization of deferred financing costs	1.2	0.6	0.3
Realized and unrealized losses on derivative instruments, net	—	2.4	4.7
Loss on debt extinguishment	—	4.4	—
Deferred income tax benefit	—	(77.2)	(2.7)
Changes in operating assets and liabilities, net of effect of acquisition:			
Receivables and other operating assets	(3.0)	1.7	(0.7)
Payables and accruals	(16.8)	(29.1)	(8.7)
Net cash provided by operating activities	39.6	16.5	26.9
Cash flows from investing activities:			
Capital expenditures	(55.5)	(24.0)	(23.3)
Cash paid in connection with the Puerto Rico Transaction	—	(1.8)	—
Other investing activities	(0.2)	(0.9)	—
Net cash used by investing activities	(55.7)	(26.7)	(23.3)
Cash flows from financing activities:			
Cash contributions from parent	19.9	4.4	—
Borrowings of third-party debt	10.0	13.4	—
Repayments of third-party debt and capital lease obligations	(8.8)	(12.7)	(1.7)
Borrowings of related-party debt	3.3	10.0	—
Payment of financing costs	(0.9)	(9.4)	—
Net cash paid related to derivative instruments	—	(12.5)	—
Change in cash collateral	—	10.0	—
Other financing activities	(0.3)	(0.3)	(0.2)
Net cash provided (used) by financing activities	23.2	2.9	(1.9)
Net increase (decrease) in cash	7.1	(7.3)	1.7
Cash:			
Beginning of year	2.4	9.7	8.0
End of year	$ 9.5	$ 2.4	$ 9.7
Cash paid for interest	$ 46.7	$ 18.1	$ 3.8

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

(1) Basis of Presentation

Liberty Cablevision of Puerto Rico LLC is a broadband communications provider of video, broadband internet and fixed-line telephony services in Puerto Rico. Liberty Cablevision of Puerto Rico LLC was formed in connection with the November 8, 2012 Puerto Rico Transaction, which, as defined and further described in note 3, involved a series of transactions with certain investment funds affiliated with Searchlight Capital Partners L.P. (collectively, Searchlight), including the merger (the November 2012 Merger) of the Puerto Rican broadband communications subsidiary (Old Liberty Puerto Rico) of LGI Broadband Operations, Inc. (LGI Broadband Operations) with San Juan Cable LLC, doing business as OneLink Communications (OneLink), also a broadband communications operator in Puerto Rico, with OneLink as the surviving entity. Immediately following the November 2012 Merger, OneLink changed its name to Liberty Cablevision of Puerto Rico LLC (Liberty Puerto Rico). LGI Broadband Operations indirectly owns a 60.0% controlling interest in Liberty Puerto Rico, with the remaining 40.0% interest indirectly owned by Searchlight. LGI Broadband Operations is a wholly-owned subsidiary of Liberty Global plc (Liberty Global), an international broadband communications provider of video, broadband internet, fixed-line telephony and mobile services. In the following text, the terms “we,” “our,” “our company” and “us” refer to Liberty Puerto Rico or its predecessors, as applicable.

As a result of LGI Broadband Operations’ 60.0% controlling interest in Liberty Puerto Rico, Old Liberty Puerto Rico is deemed to be the acquirer of OneLink in the Puerto Rico Transaction, and accordingly, the predecessor company to Liberty Puerto Rico for financial reporting purposes. Accordingly, OneLink is included in our financial statements effective November 8, 2012 at Old Liberty Puerto Rico’s cost basis.

Old Liberty Puerto Rico was formed under Delaware law on December 27, 2011 pursuant to a merger transaction (the December 2011 Merger) with Liberty Cablevision of Puerto Rico, Ltd. (LCPR Ltd.), a Bermuda company that was also a wholly-owned subsidiary of Liberty Global and the then owner of Liberty Global’s broadband communications operations in Puerto Rico. Prior to the completion of the December 2011 Merger, which was treated as a tax-free reorganization, Old Liberty Puerto Rico had no operations. As the December 2011 Merger represents a transaction between companies under common control, the December 2011 Merger has been given effect for all periods in which Old Liberty Puerto Rico and LCPR Ltd. were under the common control of Liberty Global, including all periods covered by these financial statements.

Prior to the November 2012 Merger, Old Liberty Puerto Rico and its predecessor, LCPR Ltd., were treated as separate tax-paying corporations in Puerto Rico. Effective with its formation in the November 2012 Merger, 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. For additional information, see note 8.

These financial statements reflect our consideration of the accounting and disclosure implications of subsequent events through April 11, 2014, the date of issuance.

(2) Summary of Significant Accounting Policies

Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the 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, share-based compensation 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.

Cash

We have no cash equivalents such as money market fund instruments as of December 31, 2013 and 2012. Our significant non-cash investing and financing activities are disclosed in notes 3, 7 and 9.

Trade Receivables

Our trade receivables are reported net of an allowance for doubtful accounts. Such allowance aggregated $7.2 million and $6.4 million at December 31, 2013 and 2012, 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 receipt of payment 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. We also manage this risk by disconnecting services to customers whose accounts are delinquent.

Financial Instruments

Due to the short maturities of cash, trade and other receivables, other current assets, accounts payable, accrued liabilities, subscriber advance payments and deposits and other current liabilities, their respective carrying values approximate their respective fair values. For information concerning the fair values of our debt, see note 7. For information concerning how we arrive at certain of our fair value measurements, 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.

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. 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 6.

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

Intangible Assets

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

Goodwill and other intangible assets with indefinite useful lives, including cable television franchise rights, are not amortized, but instead are tested for impairment at least annually. Cable television franchise rights are deemed to have an indefinite useful life as they are expected to contribute to our cash flows for the foreseeable future. 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 when a triggering event occurs. For additional information regarding the useful lives of our intangible assets, see note 6.

Impairment of Property and Equipment and Intangible Assets

We review, when circumstances warrant, 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, among other items, (i) an expectation of a sale or disposal of a long-lived asset or asset group, (ii) adverse changes in market or competitive conditions, (iii) an adverse change in legal factors or business climate in the markets in which we operate and (iv) operating or cash flow losses. For purposes of impairment testing, long-lived assets are grouped at the lowest level for which cash flows are largely independent of other assets and liabilities. 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 group exceeds its fair value. We generally measure fair value by considering (a) sale prices for similar assets, (b) discounted estimated future cash flows using an appropriate discount rate and/or (c) estimated replacement costs. Assets to be disposed of are carried at the lower of their financial statement carrying amount or fair value less costs to sell.

We evaluate the goodwill and cable television franchise rights for impairment at least annually on October 1 and whenever other facts and circumstances indicate that the carrying amounts of goodwill and cable television franchise rights may not be recoverable. For purposes of the annual goodwill impairment evaluation, our operations consist of one reporting unit. 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 the 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. If the carrying value of the reporting unit were to exceed its fair value, we would then compare the implied fair value of the reporting unit's goodwill to its carrying amount, and any excess of the carrying amount over the fair value would be charged to operations as an impairment loss. With respect to cable television franchise rights, if is is more-likely-than-not that the fair value of the franchise rights are less than their carrying value, we then estimate the fair value of the franchise rights and any excess of the carrying value over the fair value of the franchise rights is also charged to operations as an impairment loss.

Income Taxes

Effective with its formation in the November 2012 Merger, Liberty Puerto Rico is 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, following the formation of Liberty Puerto Rico, our taxable income or loss, which may vary substantially from the net earnings or loss reported in our statements of operations, is proportionately included in the income tax returns of each member, as applicable.

Prior to the November 2012 Merger, Old Liberty Puerto Rico and its predecessor, LCPR Ltd., were each treated as separate tax-paying corporations in Puerto Rico. Accordingly, we accounted for income taxes under the asset and liability method. We recognized deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts and income tax basis of assets and liabilities and the expected benefits of utilizing net operating loss and tax credit carryforwards, using enacted tax rates in effect for the year in which those temporary differences were expected to be recovered or settled. We recognized the financial statement effects of a tax position when it was more-likely-than-not, based on technical merits, that the position would be sustained upon examination. Net deferred tax assets were then reduced by a valuation allowance if we believed it more-likely-than-not such net deferred tax assets would not be realized. The effect on deferred tax assets and liabilities of a change in tax rates was recognized in income in the period that included the enactment date. The historical income taxes of Old Liberty Puerto Rico and LCPR Ltd. are presented in our financial statements on a separate return basis.

Revenue Recognition

Service Revenue — Cable Network. We recognize revenue from the provision of video, broadband internet and fixed-line telephony services over our cable network to customers in the period the related services are provided. Installation revenue (including reconnect fees) related to services provided over our cable 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 average expected subscriber life.

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.

Promotional Discounts. For subscriber promotions, such as discounted or free 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. Deposits are recorded as a liability upon receipt and refunded to the subscriber upon disconnection.

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

Segments

We operate in one geographical area, the territory of Puerto Rico. We operate in one segment, within which we provide video, broadband internet and fixed-line telephony services to residential and/or small business customers.

Litigation Costs

Legal fees and related litigation costs are expensed as incurred.

(3) Acquisition

On November 8, 2012, LGI Broadband Operations completed a series of transactions (collectively, the Puerto Rico Transaction) with Searchlight that resulted in their joint ownership of (i) Old Liberty Puerto Rico and (ii) OneLink. In connection with the Puerto Rico Transaction, the November 2012 Merger was completed whereby Old Liberty Puerto Rico and OneLink were merged, as further described in note 1.

Immediately prior to the Puerto Rico Transaction, LGI Broadband Operations contributed its 100% interest in Old Liberty Puerto Rico, and Searchlight contributed cash of $94.7 million, to Leo Cable LP (Leo Cable), a newly formed entity. Leo Cable in turn used the cash contributed by Searchlight to fund the acquisition of 100% of the equity of OneLink from a third party (the Seller) for a purchase price of $96.5 million, including closing adjustments and $1.8 million of transaction-related costs paid by Old Liberty Puerto Rico on behalf of the Seller. Such purchase price, together with OneLink's consolidated net debt (aggregate fair value of debt and capital lease obligations outstanding less cash and cash equivalents) at November 8, 2012 of $496.0 million, resulted in total consideration of $592.5 million, excluding direct acquisition costs of $18.1 million. Direct acquisition costs include $2.9 million of legal and other third-party fees incurred subsequent to the November 8, 2012 acquisition date in connection with LGI Broadband Operations' claims against the Seller, as discussed below. The direct acquisition costs are included in impairment, restructuring and other operating items, net, in our statements of operations. LGI Broadband Operations completed the Puerto Rico Transaction in order to achieve certain financial, operational and strategic benefits through the integration of OneLink with its existing operations in Puerto Rico.

The Seller agreed to retain $10.0 million of the purchase price to satisfy any claims. In November 2013, LGI Broadband Operations reached a settlement agreement with respect to certain claims against the Seller, pursuant to which, among other matters, LGI Broadband Operations received a cash payment of $20.0 million. Following this settlement, we received a cash contribution of $19.9 million from our parent.

LGI Broadband Operations accounted for the Puerto Rico Transaction using the acquisition method of accounting, whereby Old Liberty Puerto Rico is deemed to be the acquirer of OneLink, as further described in note 1. As a result, the total purchase price was allocated to the acquired identifiable net assets of OneLink 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.

The opening balance sheet of OneLink at the November 8, 2012 acquisition date, as revised to reflect adjustments to the acquisition accounting that we determined during 2013, is set forth below. The opening balance sheet presented below reflects our final purchase price allocation (in millions).

Cash	$ 4.4
Other current assets (a)	19.2
Property and equipment, net	150.2
Intangible assets subject to amortization (b)	90.5
Intangible assets not subject to amortization – cable television franchise rights	285.0
Goodwill (c)	226.1
Other assets, net	1.2
Current portion of debt and capital lease obligations	(3.5)
Other current liabilities (a)	(54.1)
Long-term debt and capital lease obligations	(496.9)
Deferred tax liabilities	(125.6)
Total purchase price	96.5
Deferred tax liabilities retained by parent entities (note 1)	125.6
Seller transaction costs paid by Old Liberty Puerto Rico	(1.8)
Increase to members' capital related to the Puerto Rico Transaction	$ 220.3

(a) Other current liabilities include an accrual for a loss contingency that was measured based on our best estimate of the probable loss. The Seller partially indemnified us for the outcome of this loss contingency and, accordingly, other current assets includes an indemnification asset, measured using the same basis as the associated loss contingency.

(b) Amount primarily includes intangible assets related to customer relationships. At November 8, 2012, the weighted average useful life of OneLink's intangible assets was approximately 10 years.

(c) The goodwill recognized in connection with the Puerto Rico Transaction is primarily attributable to (i) the ability to take advantage of the existing advanced broadband communications networks of OneLink to gain immediate access to potential customers and (ii) substantial synergies that are expected to be achieved through the integration of OneLink with our existing broadband communications operations in Puerto Rico.

Our condensed balance sheet as of December 31, 2012 has been retrospectively revised to reflect the adjustments to the OneLink acquisition accounting that we determined during 2013, as set forth in the below table:

	December 31, 2012		
	As reported	Adjustments	As revised
		in millions	
Total current assets	$ 13.1	$ 15.6	$ 28.7
Property and equipment	$ 248.3	$ (0.3)	$ 248.0
Goodwill	$ 155.6	$ 70.5	$ 226.1
Franchise rights and other	$ 507.3	$ (70.0)	$ 437.3
Intangible assets subject to amortization, net	$ 129.5	$ (41.0)	$ 88.5
Total assets	$ 1,082.6	$ (25.2)	$ 1,057.4
Other accrued and current liabilities	$ 22.9	$ 16.7	$ 39.6
Members' capital (a)	$ 355.1	$ (41.9)	$ 313.2
Total liabilities and members' capital	$ 1,082.6	$ (25.2)	$ 1,057.4

(a) The adjustment to members' capital relates to the deferred income tax impacts of the adjustments to the OneLink acquisition accounting that are retained by our Class A member.

We did not retrospectively revise our statements of operations to reflect the impacts of the adjustments set forth in the above table, as these adjustments had no material effect on our results of operations.

Pro Forma Information

The following unaudited pro forma operating results give effect to the Puerto Rico Transaction as if it had been completed as of January 1, 2011. These unaudited 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,	
	2012	2011
	in millions	
Revenue	$ 296.3	$ 296.9
Net earnings (loss)	$ (27.5)	$ 9.9

Our statement of operations for 2012 includes revenue and net loss of $24.8 million and $2.1 million, respectively, attributable to OneLink.

(4) Derivative Instruments

Prior to the Puerto Rico Transaction, we were a party to certain interest rate derivative contracts that we had entered into to manage interest rate exposure. We did not apply hedge accounting to these derivative instruments. Accordingly, changes in the fair values of these contracts were recorded in realized and unrealized gains or losses on derivative instruments, net, in our statements of operations. In the periods following the Puerto Rico Transaction, we have not entered into any derivative contracts.

(5) Fair Value Measurements

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 in or out of Levels 1, 2 or 3 at the beginning of the quarter during which the transfer occurred. During 2013, no such transfers were made.

Prior to the Puerto Rico Transaction, we were a party to certain interest rate derivative contracts to manage our interest rate exposure. With respect to these derivative contracts, all of our Level 2 inputs (interest rates, yield curves and certain of the inputs for our weighted average cost of capital calculations) and certain of our Level 3 inputs (forecasted volatilities and credit spreads) were obtained from pricing services. These inputs, or interpolations or extrapolations thereof, were used in our internal models to calculate, among other items, yield curves, forward interest and currency rates and weighted average cost of capital rates. In the normal course of business, we received market value assessments from the counterparties to our derivative contracts. Although we compared these assessments to our internal valuations and investigated unexpected differences, we did not otherwise rely on counterparty quotes to determine the fair values of our derivative instruments. The midpoints of applicable bid and ask ranges generally were used as inputs for our internal valuations. The recurring fair value measurements of these derivative instruments were determined using discounted cash flow models. Most of the inputs to these discounted cash flow models consisted of, or were derived from, observable Level 2 data for substantially the full term of these derivative instruments. This observable data included applicable interest rates, swap rates and yield curves, which were retrieved or derived from available market data. Although we may have extrapolated or interpolated this data, we did not otherwise alter this data in performing our valuations. We incorporated a credit risk valuation adjustment in our fair value measurements to estimate the impact of our own nonperformance risk. Our credit spreads were Level 3 inputs that were used to derive the credit risk valuation adjustments with respect to our interest rate derivative valuations. As we did not expect changes in our credit spreads to have a significant impact on the valuations of these derivative instruments, we determined that these valuations fell under Level 2 of the fair value hierarchy.

Fair value measurements are also used in connection with nonrecurring valuations performed in connection with impairment assessments and acquisition accounting. These nonrecurring valuations include the valuation of intangible assets related to customer relationships and cable television franchise rights, property and equipment and the implied value of goodwill. 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 valuations of our customer relationships and cable television franchise rights intangible assets are each primarily based on an excess earnings methodology, which is a form of a discounted cash flow analysis. The excess earnings methodology requires us to estimate the specific cash flows expected from the respective customer relationship and cable television franchise rights intangible assets, considering such factors as estimated customer life, the revenue expected to be generated over the life of the customer or cable television franchise rights, contributory asset charges, and other factors. Tangible assets are typically valued using a replacement or reproduction cost approach, considering factors such as current prices of the same or similar equipment, the age of the equipment and economic obsolescence. The implied value of goodwill is determined by allocating the fair value of the reporting unit to all of the assets and liabilities of that unit as if the reporting unit had been acquired in a business combination, with the residual amount allocated to goodwill. Our nonrecurring valuations use significant unobservable inputs and therefore fall under Level 3 of the fair value hierarchy. During 2013 and 2012, we performed nonrecurring valuations for the purpose of determining the acquisition accounting for the Puerto Rico Transaction. The discount rates used to value the customer relationships and cable television franchise rights acquired as a result of this acquisition were approximately 9% and 10%, respectively. For additional information, see note 3.

(6) Long-lived Assets

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, 2013	December 31, 2013	December 31, 2012 (a)
		in millions	
Distribution systems	4 to 15 years	$ 355.8	$ 301.2
Support equipment, buildings and land	3 to 40 years	26.8	17.2
		382.6	318.4
Accumulated depreciation		(115.3)	(70.4)
Total property and equipment, net		$ 267.3	$ 248.0

(a) As revised – see note 3.

Depreciation expense related to our property and equipment was $46.5 million, $27.6 million and $24.0 million during 2013, 2012 and 2011, respectively.

During 2013 and 2012, we recorded non-cash increases to our property and equipment related to assets acquired under capital leases of $1.2 million and $0.7 million, respectively.

Goodwill

All of our goodwill balance at December 31, 2013 and 2012 was recorded in connection with the Puerto Rico Transaction. For additional information, see note 3. No impairments of our goodwill or cable television franchise rights were required to be recorded in connection with our October 1, 2013 or 2012 impairment tests. Based on the results of our October 1, 2013 goodwill impairment test, a hypothetical decline of 20% or more in the fair value of our reporting unit, could result in the need to record an impairment charge. If, among other factors, (i) our enterprise value or Liberty Global's equity value were to decline significantly or (ii) the adverse impacts of economic, competitive, regulatory or other factors were to cause our results of operations or cash flows to be worse than anticipated, we could conclude in future periods that impairment charges are required in order to reduce the carrying values of our goodwill, cable television franchise rights and, to a lesser extent, other long-lived assets. Any such impairment charges could be significant.

Intangible Assets Subject to Amortization, Net

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

	Estimated useful life at December 31, 2013	December 31, 2013			December 31, 2012 (a)		
		Gross carrying amount	Accumulated amortization	Net carrying amount	Gross carrying amount	Accumulated amortization	Net carrying amount
		in millions					
Customer relationships	10 years	$ 90.0	$ (10.2)	$ 79.8	$ 90.0	$ (1.9)	$ 88.1
Other	2 years	0.5	(0.3)	0.2	0.5	(0.1)	0.4
Total		$ 90.5	$ (10.5)	$ 80.0	$ 90.5	$ (2.0)	$ 88.5

(a) As revised – see note 3.

Amortization of intangible assets with finite useful lives was $8.6 million, $2.0 million and nil during 2013, 2012 and 2011, respectively.

Based on our amortizable intangible asset balances at December 31, 2013, we expect that amortization expense will be as follows for the next five years and thereafter (in millions):

2014	$ 9.2
2015	9.0
2016	9.0
2017	9.0
2018	9.0
Thereafter	34.8
Total	$ 80.0

Other Indefinite-lived Intangible Assets

Our other indefinite-lived intangible assets, comprised primarily of cable television franchise rights, were $437.6 million and $437.3 million at December 31, 2013 and 2012, respectively. For additional information, see note 3.

(7) Debt and Capital Lease Obligations

The components of our debt and capital lease obligations are as follows:

	December 31, 2013		Estimated fair value (c)		Carrying value (d)	
	Weighted average interest rate (a)	Unused borrowing capacity (b)	December 31,		December 31,	
			2013	2012	2013	2012
			in millions			
Third-party debt – Liberty Puerto Rico Bank Facility	6.89%	$ 15.0	$ 666.2	$ 667.0	$ 665.0	$ 663.9
Related-party debt – Shareholder Loan	10.00%	—	(e)	(e)	13.3	10.0
Total debt	6.94%	$ 15.0			678.3	673.9
Capital lease obligations					1.6	0.6
Total debt and capital lease obligations					679.9	674.5
Current maturities					(5.7)	(5.3)
Long-term debt and capital lease obligations					$ 674.2	$ 669.2

(a) Represents the weighted average interest rate in effect at December 31, 2013 for all borrowings outstanding pursuant to each debt instrument including any applicable margin. The interest rates presented represent stated rates and do not include the impact of deferred financing costs, original issue discounts or commitment fees, all of which affect our overall cost of borrowing. Including the effects of 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 6.9% at December 31, 2013.

(b) Unused borrowing capacity represents the maximum availability under the Liberty Puerto Rico Bank Facility (as defined and described below) at December 31, 2013 without regard to covenant compliance calculations or other conditions precedent to borrowing. At December 31, 2013, the full amount of unused borrowing capacity was available to be borrowed based on the applicable leverage and other financial covenants.

(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 5.

(d) Includes the net impact of premiums and discounts on the Liberty Puerto Rico Bank Facility, as defined and described below.

(e) The fair value is not subject to reasonable estimation due to the related-party nature of this loan.

Liberty Puerto Rico Bank Facility

Prior to August 13, 2012, Old Liberty Puerto Rico's bank facility (the Old Liberty Puerto Rico Bank Facility) consisted of (i) a $150.0 million amortizing term loan, (ii) a $20.0 million amortizing delayed draw senior credit facility and (iii) a $10.0 million revolving loan. All amounts borrowed under the Old Liberty Puerto Rico Bank Facility bore interest at a margin of 2.00% over LIBOR.

On August 13, 2012, Old Liberty Puerto Rico entered into a new bank credit facility (the August 2012 Liberty Puerto Rico Bank Facility), the proceeds of which were used to repay the Old Liberty Puerto Rico Bank Facility and for general corporate purposes. The August 2012 Liberty Puerto Rico Bank Facility provided for (i) a $175.0 million senior secured term loan (the August 2012 LPR Term Loan) at an issue price of 99.0% and (ii) a $10.0 million senior secured revolving credit facility (the August 2012 LPR Revolving Loan). The August 2012 LPR Term Loan began amortizing at 1% per year on September 15, 2012. In connection with these transactions, we recognized aggregate losses on debt extinguishment of $4.4 million during the third quarter of 2012, including (i) $3.8 million of third-party costs incurred in connection with the August 2012 Liberty Puerto Rico Bank Facility and (ii) the write-off of deferred financing fees of $0.6 million relating to repayment of the Old Liberty Puerto Rico Bank Facility.

In connection with the November 8, 2012 completion of the Puerto Rico Transaction (as described in note 3), (i) we began to consolidate the existing bank credit facility of OneLink, (ii) borrowings under the August 2012 LPR Term Loan became a new pari passu tranche of OneLink's existing bank credit facility, with OneLink as the borrower, (iii) the August 2012 LPR Revolving Loan was canceled and (iv) OneLink was renamed as Liberty Puerto Rico. Subsequent to the completion of the Puerto Rico Transaction, the bank credit facility of Liberty Puerto Rico is referred to as the "Liberty Puerto Rico Bank Facility."

At December 31, 2013, the Liberty Puerto Rico Bank Facility consists of (i) a $145.0 million second lien term loan (the LPR Term Loan A), (ii) a $345.0 million term loan (the LPR Term Loan B), (iii) the $175.0 million August 2012 LPR Term Loan and (iv) a $25.0 million revolving credit facility (the LPR Revolving Loan), of which $10.0 million was outstanding as of December 31, 2013. All amounts borrowed under the LPR Term Loan A, the LPR Term Loan B and the LPR Revolving Loan bear interest, at Liberty Puerto Rico's option, at either (i) LIBOR multiplied by the Statutory Reserve Rate (as defined in the Liberty Puerto Rico Bank Facility) with a LIBOR floor of 1.50% or (ii) the Base Rate (as defined in the Liberty Puerto Rico Bank Facility) with a Base Rate floor of 2.50%. All amounts borrowed under the August 2012 LPR Term Loan bear interest, at Liberty Puerto Rico's option, at either (i) LIBOR plus 4.50% with a LIBOR floor of 1.50% or (ii) Base Rate (as defined in the Liberty Puerto Rico Bank Facility) plus 3.50% with a Base Rate floor of 2.50%. The LPR Term Loan A, the LPR Term Loan B, the August 2012 LPR Term Loan and the LPR Revolving Loan have final maturities of June 9, 2018, June 9, 2017, June 9, 2017 and June 9, 2016, respectively. The LPR Revolving Loan has a commitment fee on unused and uncanceled balances of 0.5% or 0.375% depending on the then Total Leverage Ratio (as defined in the Liberty Puerto Rico Bank Facility).

In addition to customary restrictive covenants, prepayment requirements and events of default, including defaults on other indebtedness of Liberty Puerto Rico and its subsidiaries, the Liberty Puerto Rico Bank Facility requires compliance with the following financial covenants: (i) Total Leverage Ratio and (ii) First Lien Leverage Ratio, each capitalized term as defined in the Liberty Puerto Rico Bank Facility. The Liberty Puerto Rico Bank Facility permits Liberty Puerto Rico to transfer funds to its parent company (and indirectly to Liberty Global) through loans, dividends or other distributions provided that Liberty Puerto Rico maintains compliance with applicable covenants.

The Liberty Puerto Rico Bank Facility is secured by pledges over (i) the Liberty Puerto Rico shares indirectly owned by Liberty Global and (ii) certain other assets owned by Liberty Puerto Rico.

Shareholder Loan

On December 31, 2012, Liberty Puerto Rico entered into a loan agreement with LGI Broadband Operations (the Shareholder Loan). The Shareholder Loan is pledged and subordinated in right of payment to the prior payment in full of the loans under the Liberty Puerto Rico Bank Facility in the event of certain insolvency or similar events in respect of Liberty Puerto Rico. The Shareholder Loan currently bears interest at 10.0% per annum and has a repayment date on the first anniversary of the latest maturity date of the loans under the Liberty Puerto Rico Bank Facility. Accrued and unpaid interest on the Shareholder Loan is due and payable either monthly, capitalized annually or on the repayment date. On February 13, 2013, the Shareholder Loan was amended and restated, whereby certain of the Searchlight affiliates provided an irrevocable, absolute and unconditional guarantee to LGI Broadband Operations for the repayment of the original advance under the Shareholder Loan, including accrued interest, limited to Searchlight's 40.0% pro rata portion. The increase in the Shareholder Loan balance during 2013 relates to further cash borrowings of $3.3 million. The increase in the Shareholder Loan balance during 2012 is due to cash borrowings of $10.0 million.

Maturities of Debt

Maturities of our debt as of December 31, 2013 are presented below:

	Third-party debt	Shareholder Loan	Total
		in millions	
Year ending December 31:			
2014	$ 5.2	$ —	$ 5.2
2015	5.2	—	5.2
2016	15.2	—	15.2
2017	493.1	—	493.1
2018	145.0	—	145.0
Thereafter	—	13.3	13.3
Total debt maturities	663.7	13.3	677.0
Unamortized premium, net (a)	1.3	—	1.3
Total debt	$ 665.0	$ 13.3	$ 678.3
Current portion	$ 5.2	$ —	$ 5.2
Noncurrent portion	$ 659.8	$ 13.3	$ 673.1

(a) The carrying value of the Liberty Puerto Rico Bank Facility was adjusted to reflect a premium through the application of acquisition accounting in connection with the Puerto Rico Transaction.

Non-cash Refinancing Transaction

During 2012, our refinancing transaction included non-cash borrowings and repayments of debt aggregating $161.7 million.

(8) Income Taxes

Prior to the November 2012 Merger, Old Liberty Puerto Rico and its predecessor, LCPR Ltd., were treated as separate tax-paying corporations in Puerto Rico. Effective with its formation in the November 2012 Merger, Liberty Puerto Rico is 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, (i) we recognized a $73.0 million deferred tax benefit in net earnings on November 8, 2012 in connection with the change in our tax status and (ii) the net deferred tax liabilities associated with OneLink's net assets are not included in the cost basis reflected for OneLink in these financial statements. For additional information, see note 1.

Income tax benefit consists of:

	Year ended December 31,	
	2012	2011
	in millions	
Current tax benefit (expense)	$ 2.8	$ (0.8)
Deferred tax benefit	77.2	2.7
Total	$ 80.0	$ 1.9

Income tax benefit attributable to our company's earnings before income taxes differs from the amounts computed by applying the U.S. federal income tax rate of 35.0%, as a result of the following:

	Year ended December 31,	
	2012	2011
	in millions	
Computed "expected" tax benefit (expense)	$ 3.9	$ (2.3)
Loss not taxed at partnership level	(0.4)	—
Change in tax status	73.0	—
Puerto Rico tax law change (a)	—	5.7
Puerto Rico tax (b)	3.4	(1.6)
Other, net	0.1	0.1
Total	$ 80.0	$ 1.9

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(a) Represents the impact on our net deferred tax liabilities of the January 1, 2011 change in the Puerto Rico statutory tax rate from 39% to 30%.

(b) Amounts are calculated using the statutory rate in effect of 30%.

The taxable income of Liberty Puerto Rico is included in the income tax returns of our members. Prior to the November 2012 Merger, income tax expense for Old Liberty Puerto Rico is based on those items in the Liberty Global consolidated calculation applicable to Old Liberty Puerto Rico. Intercompany tax allocation represents an apportionment of tax expense or benefit (other than deferred taxes) among subsidiaries of Liberty Global in relation to their respective amounts of taxable earnings or losses, resulting in a payable to or receivable from parent. In connection with the November 2012 Merger and as further described above, a $5.6 million receivable from our parent at November 8, 2012 was effectively transferred to parent entities.

We file, and prior to the November 2012 Merger, our predecessors 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 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 2008 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.

(9) Members' Capital

Liberty Puerto Rico is a limited liability company. Effective November 8, 2012, in connection with the November 2012 Merger, we have two Members, a Class A Preferred Unit Member (Class A Preferred Unit Member) and a Class B Common Unit

Member (Class B Common Unit Member). Our limited liability company agreement (the LLC Agreement) requires any distributions to our Members be made in the following order of priority: (i) first, to the Class A Preferred Unit Member the amount of the aggregate Priority Return (as defined and discussed below) accrued and unpaid, as defined and discussed below, (ii) second, to the Class B Common Unit Member until such Class B Common Unit Member's capital account has been reduced to the amount of the Class B Common Unit Member's capital contributions, (iii) third, 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 Unit Member. Such distributions are generally subject to statutory Puerto Rico tax withholdings at a 30% rate, unless a waiver is granted by the Puerto Rico Treasury. The Puerto Rico Treasury granted a waiver relating to this tax withholding obligation to income allocable to our Class B Common Unit Member for 2012 and 2013. Such exemption is renewable annually thereafter subject to Puerto Rico Treasury approval. We have requested the waiver for 2014, but approval is still pending.

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

A priority return (the Priority Return) shall be made, from time to time, to the Class A Preferred Unit Member based on a per annum rate of 11% on the Adjusted Value of the Class A Preferred Units, as defined in the LLC agreement. The Priority Return accrues on a daily basis, whether or not declared, is cumulative and compounds annually on December 31. The Priority Return shall be paid generally only when and if declared.

In accordance with the LLC Agreement, a $10.6 million Priority Return was accrued and recorded as an increase to the Class A Preferred Unit Member capital and a decrease to the Class B Common Unit Member capital during 2013. Such Priority Return will be reflected as a liability when and if declared. The Priority Return amounts reflected in our statements of changes in members' capital during 2013 also include adjustments to properly reflect the $1.5 million Priority Return accrued during 2012 following the November 2012 Merger.

Prior to the November 2012 Merger, our predecessor company was a single-member limited liability company. In connection with a series of transactions, as further described in note 1, the carrying value of our predecessor company member's capital was transferred into our Class B Common Unit Member's opening capital account.

(10) Related-party Transactions

Our related-party transactions consist of the following:

	Year ended December 31,		
	2013	2012	2011
		in millions	
Operating expenses	$ 0.2	$ 0.2	$ 0.2
Allocated share-based compensation expense	0.4	0.4	0.5
Included in operating income	0.6	0.6	0.7
Interest expense	1.2	—	—
Included in net earnings (loss)	$ 1.8	$ 0.6	$ 0.7

Operating expenses. Amounts consist of cash settled charges for programming services provided to our company by a subsidiary and an affiliate of Liberty Global.

Allocated share-based compensation expense. These amounts are allocated to our company by Liberty Global and represent the share-based compensation associated with the Liberty Global share-based incentive awards held by certain of our employees. Awards consist of (i) stock appreciation rights (SARs) and (ii) restricted share units. Share-based compensation expense is reflected as an increase to members' equity and is included in SG&A costs in our statements of operations.

Interest expense. These amounts represent interest on the Shareholder Loan from LGI Broadband Operations. For additional information, see note 7.

Shareholder Loan. At December 31, 2013 and 2012, we had $13.3 million and $10.0 million, respectively, outstanding on our Shareholder Loan due to LGI Broadband Operations. For additional information, see note 7.

Capital charges. During 2013, 2012 and 2011, we recorded aggregate capital charges of $1.0 million, $1.0 million and $0.7 million, respectively, in our statement of changes in members' capital in connection with the exercise of Liberty Global SARs and options and the vesting of Liberty Global restricted share awards held by our employees. These capital charges, which generally are cash settled, are based on the fair value of the underlying Liberty Global shares on the exercise or vesting date, as applicable.

(11) Restructuring Liabilities

A summary of changes in our restructuring liabilities during 2013 is set forth in the table below:

	Employee severance and termination	Contract termination and other	Total
		in millions	
Restructuring liability as of January 1, 2013	$ 0.3	$ —	$ 0.3
Restructuring charges	1.6	10.0	11.6
Cash paid	(1.4)	(7.6)	(9.0)
Other	—	(2.2)	(2.2)
Restructuring liability as of December 31, 2013	$ 0.5	$ 0.2	$ 0.7
Current portion	$ 0.5	$ 0.2	$ 0.7
Noncurrent portion	—	—	—
Total	$ 0.5	$ 0.2	$ 0.7

In connection with reorganization and integration activities associated with the Puerto Rico Transaction, we recorded $10.0 million in restructuring charges related to the termination of certain contracts. In addition, our restructuring charges during 2013 include $1.6 million of employee severance and termination costs related to reorganization and integration activities.

(12) Commitments and Contingencies

Commitments

In the normal course of business, we have entered into agreements that commit our company to make cash payments in future periods with respect to internet bandwidth commitments. As of December 31, 2013, such commitments are as follows:

	Payments due during:						
	2014	2015	2016	2017	2018	Thereafter	Total
				in millions			
Total commitments	$ 1.2	$ 1.2	$ 1.2	$ 1.2	$ 1.2	$ 6.7	$ 12.7

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 $81.5 million, $38.9 million and $30.6 million during 2013, 2012 and 2011, respectively.

Legal and Regulatory Proceedings and Other Contingencies

PRTC and Class Action Claims. Liberty Puerto Rico, as the surviving entity in the Puerto Rico Transaction, is a party to certain claims asserted by the incumbent telephone operator against OneLink based on alleged conduct of OneLink that occurred prior to the OneLink acquisition (the PRTC Claim), including a claim that OneLink acted in an anticompetitive manner in connection with a series of legal and regulatory proceedings it initiated against the incumbent telephone operator in Puerto Rico beginning in 2009. In December 2013, an additional claim (the December 2013 Claim) was asserted against OneLink alleging harm to consumers based on the purported conduct of OneLink that formed the basis for the PRTC Claim. The claimant in the December 2013 Claim sought to join the PRTC Claim as a representative of the entire class of consumers who are alleged to have suffered harm as a result of the purported OneLink conduct. In February 2014, the court ruled that the December 2013 Claim could not be joined with the PRTC Claim. The court ruling did not preclude the claimant from pursuing a class action claim in a separate action. In March 2014, the claimant in the December 2013 Claim filed a separate class action claim in Puerto Rico (the "Class Action Claim") substantially similar to the claims asserted in the December 2013 Claim. The former owners of OneLink have partially indemnified us for any losses we may incur in connection with the PRTC Claim up to a specified maximum amount. However, the indemnity does not cover losses resulting from the Class Action Claim. Our acquisition accounting for the OneLink acquisition includes a provision and a related indemnification asset representing our best estimate of the net loss we may incur upon the ultimate resolution of the PRTC Claim. While we expect that the net amount required to satisfy these contingencies will not materially differ from the estimated amount we have accrued, no assurance can be given that the ultimate resolution of these matters will not have an adverse impact on our results of operations, cash flows or financial position in any given period.

Regulatory Issues. Adverse regulatory developments could subject our businesses to a number of risks. Regulation, including conditions imposed on us by competition or other authorities as a requirement to close acquisitions or dispositions, could limit growth, revenue and the number and types of services offered and could lead to increased operating costs and property and equipment additions. 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 businesses to various penalties.

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

- *Forward-Looking Statements.* This section provides a description of certain 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, 2013 and 2012.

- *Liquidity and Capital Resources.* This section provides an analysis of our liquidity and statements of cash flows.

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

Forward-Looking Statements

Certain statements in this annual report constitute forward-looking statements. 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* contain forward-looking statements, including statements regarding our expectations with respect to our growth prospects, the economic environment in Puerto Rico, the future projected cash flows associated with our commitments, our business, product, and finance strategies, our property and equipment additions, subscriber growth and retention rates, competitive, regulatory and economic factors, the maturity of our markets, anticipated cost increases, liquidity, credit risks and target leverage levels. 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. The following are 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;

- the competitive environment in the industries in Puerto Rico, including competitor responses to our products and services;

- instability in global financial markets, including sovereign debt issues in Puerto Rico and elsewhere and related fiscal reforms;

- consumer disposable income and spending levels, including the availability and amount of individual consumer debt;

- the ultimate outcome of pending litigation, including the PRTC Claim and the Class Action Claim;

- changes in consumer television viewing preferences and habits;

- consumer acceptance of our existing service offerings, including our digital video, 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 digital video, 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 opens 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 acquire;
- the ability of suppliers and vendors to timely deliver quality products, equipment, software and services;
- the availability of attractive programming for our digital 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;
- the availability of capital for the acquisition and/or development of telecommunications networks and services;
- problems we may discover post-closing with the operations, including the internal controls and financial reporting process, of businesses we acquire;
- leakage of sensitive customer data;
- the outcome of any pending or threatened litigation;
- the loss of key employees and the availability of qualified personnel;
- changes in the nature of key strategic relationships;
- fluctuations in interest rates; and
- events that are outside of our control, such as political unrest, terrorist attacks, malicious human acts, natural disasters, pandemics and other similar events.

The broadband distribution services industries are 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 the above-described 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

Liberty Puerto Rico is a provider of video, broadband internet and fixed-line telephony services in Puerto Rico. Liberty Puerto Rico was formed in connection with the Puerto Rico Transaction, as further described in note 3 to our financial statements. LGI Broadband Operations indirectly owns a 60.0% controlling interest in Liberty Puerto Rico, with the remaining 40.0% interest indirectly owned by Searchlight. LGI Broadband Operations is a wholly-owned subsidiary of Liberty Global, an international broadband communications provider of video, broadband internet, fixed-line telephony and mobile services.

As a result of LGI Broadband Operations' 60.0% controlling interest in Liberty Puerto Rico, Old Liberty Puerto Rico is deemed to be the acquirer of OneLink in the Puerto Rico Transaction, and accordingly, the predecessor company to Liberty Puerto Rico for financial reporting purposes. Accordingly, OneLink is included in our financial statements effective November 8, 2012 at Old Liberty Puerto Rico's cost basis. The comparability of our operating results during 2013 and 2012 is affected by the acquisition of OneLink.

For additional information, see notes 1 and 3 to our financial statements.

Our digital cable service offerings include basic and premium programming and incremental offerings such as enhanced pay-per-view programming (including video-on-demand), digital video recorders and high definition programming. Our residential subscribers generally access the internet via cable modems connected to their personal computers at download speeds up to 60 Mbps, depending on the tier of service selected. We determine pricing for each tier of broadband internet service through analysis of speed, data limits, market conditions and other factors. We offer fixed-line telephony services using voice-over-internet-protocol or "VoIP" technology.

Our revenue includes revenue earned from subscribers for broadband communications services, advertising revenue, late fees and installation fees. We use the term "subscription revenue" in the following discussion to refer to amounts received from subscribers for ongoing services, excluding advertising revenue, late fees and installation fees.

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 acquisitions. While we seek to obtain new customers, we also seek to maximize the average revenue we receive from each household by increasing the penetration of our digital cable, broadband internet and fixed-line telephony services, with existing customers through product bundling and promotions.

At December 31, 2013, we owned and operated a network that passed 704,600 homes and served 535,800 revenue generating units (RGUs), consisting of 210,500 video subscribers, 192,200 broadband internet subscribers and 133,100 fixed-line telephony subscribers. We added 56,600 RGUs on an organic basis during 2013. The organic RGU growth during 2013 is attributable to the growth of our (i) fixed-line telephony services, which added 38,800 RGUs, (ii) broadband internet services, which added 13,200 RGUs, and (iii) digital cable services, which added 4,600 RGUs.

We are facing a challenging economic environment in Puerto Rico. This environment could adversely impact our ability to increase, or in certain cases, maintain the revenue, RGUs, operating cash flow and liquidity of our business, particularly if the economic environment were to weaken further. As we use the term, operating cash flow is defined as revenue less operating and SG&A expenses (excluding share-based compensation, depreciation and amortization, provisions and provision releases related to significant litigation and impairment, restructuring and other operating items). Other operating items include (a) gains and losses on the disposition of long-lived assets, (b) third-party costs directly associated with successful and unsuccessful acquisitions and dispositions, including legal, advisory and due diligence fees, as applicable, and (c) other acquisition-related items, such as gains and losses on the settlement of contingent consideration.

The video, broadband internet and fixed-line telephony businesses in which we operate are capital intensive. Significant additions to our property and equipment are required to add customers to our network and to upgrade our broadband communications network and customer premises equipment to enhance our service offerings and improve the customer experience, including expenditures for equipment and labor costs. Significant competition, the introduction of new technologies, the expansion of existing technologies such as fiber-to-the-home, -building or -node and advanced digital subscriber line technologies, or adverse regulatory developments could cause us to decide to undertake previously unplanned upgrades of our network and customer premises equipment. In addition, no assurance can be given that any future upgrades will generate a positive return or that we will have adequate capital available to finance such future upgrades. If we are unable to, or elect not to, pay for costs associated with adding new customers, expanding or upgrading our network or making our other planned or unplanned additions to our property and equipment, our growth could be limited and our competitive position could be harmed. For information regarding our property and equipment additions, see *Liquidity and Capital Resources – Statements of Cash Flows* below.

We rely on third-party vendors for the equipment, software and services that we require in order to provide services to our customers. Our suppliers often conduct business worldwide and their ability to meet our needs are subject to various risks, including political and economic instability, natural calamities, interruptions in transportation systems, terrorism and labor issues. As a result, we may not be able to obtain the equipment, software and services required for our businesses on a timely basis or on satisfactory terms. Any shortfall in customer premises equipment could lead to delays in connecting customers to our services and, accordingly, could adversely impact our ability to maintain or increase our RGUs, revenue and cash flows.

Results of Operations

General

In the following discussion, we quantify the estimated impact of acquisitions on our operating results. The acquisition impact represents our estimate of the difference between the operating results of the periods under comparison that is attributable to an acquisition. In general, we base our estimate of the acquisition impact on an acquired entity's operating results during the first three months following the acquisition date such that changes from those operating results in subsequent periods are considered to be organic changes. Accordingly, in the following discussion, variances attributed to the Puerto Rico Transaction during the first twelve months following the acquisition date represent differences between the estimated acquisition impact and the actual results.

This section provides an analysis of our results of operations for the years ended December 31, 2013 and 2012.

Revenue

Our revenue by major category is set forth below:

	Year ended December 31,		Increase		Organic increase (decrease)
	2013	2012	$	%	%
	in millions				
Subscription revenue (a):					
Video	$ 149.5	$ 71.6	$ 77.9	108.8	(7.3)
Broadband internet	92.4	45.9	46.5	101.3	13.5
Fixed-line telephony	29.7	14.9	14.8	99.3	14.8
Total subscription revenue	271.6	132.4	139.2	105.1	2.4
Non-subscription revenue (b)	25.6	13.1	12.5	95.4	22.9
Total	$ 297.2	$ 145.5	$ 151.7	104.3	4.3

(a) Subscription revenue includes amounts received from subscribers for ongoing services, excluding advertising revenue, late fees and installation fees. Subscription revenue from subscribers who purchase bundled services at a discounted rate is generally allocated proportionally to each service based on the standalone price for each individual service.

(b) Non-subscription revenue primarily consists of advertising revenue, late fees, installation fees and business-to-business (B2B) revenue.

Our total revenue increased $151.7 million or 104.3% during 2013, as compared to 2012. This increase includes $145.5 million attributable to the impact of the Puerto Rico Transaction. Excluding the effects of the Puerto Rico Transaction, total revenue increased $6.2 million or 4.3%, as set forth in the table below:

	Subscription revenue	Non-subscription revenue	Total
		in millions	
Increase (decrease) in subscription revenue due to change in:			
Average number of RGUs (a)	$ 16.3	$ —	$ 16.3
ARPU (average monthly subscription revenue per average RGU) (b)	(13.1)	—	(13.1)
Total increase in subscription revenue	3.2	—	3.2
Increase in non-subscription revenue (c)	—	3.0	3.0
Total organic increase	3.2	3.0	6.2
Impact of acquisition	136.0	9.5	145.5
Total	$ 139.2	$ 12.5	$ 151.7

(a) The increase in our subscription revenue related to a change in the average number of RGUs is attributable to increases in the average numbers of fixed-line telephony, broadband internet and digital cable RGUs.

(b) The decrease in our subscription revenue related to a change in ARPU is due to the net effect of (i) lower ARPU from digital cable services, (ii) higher ARPU from broadband internet services and (iii) lower ARPU due to the impact of bundling discounts.

(c) The increase in our non-subscription revenue is due to increases in (i) installation revenue, (ii) late fees and (iii) B2B revenue.

Operating Expenses

General. Operating expenses include programming and copyright, network operations, interconnect, customer operations, customer care, and other costs related to our operations. 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) growth in the number of our digital video subscribers, (ii) higher costs associated with the expansion of our digital video content, including rights associated with ancillary product offerings and rights that provide for the broadcast of live sporting events, and (iii) rate increases. In addition, we are subject to inflationary pressures with respect to our labor and other costs. Any cost increases that we are not able to pass on to our subscribers through service rate increases would result in increased pressure on our operating margins.

Our total operating expenses increased $74.3 million or 108.8% during 2013, as compared to 2012. This increase includes $75.5 million attributable to the impact of the Puerto Rico Transaction. Excluding the effect of the Puerto Rico Transaction, our total operating expenses decreased $1.2 million or 1.8%. This decrease includes the following factors:

- A decrease in bad debt and collection expense of $2.5 million or 36.5%, due primarily to improved collection experience;
- An increase in outsourced labor and professional fees of $1.3 million or 24.3%, due primarily to higher outsourced labor associated with customer-facing activities,
- A decrease in programming and copyright costs of $0.9 million or 2.3%, due primarily to lower pay-per-view events; and
- A net increase resulting from individually insignificant changes in various other operating expense categories, including a $1.3 million increase attributable to a non-recurring item that was recorded during the fourth quarter of 2013.

SG&A Expenses

General. SG&A expenses include human resources, information technology, general services, management, finance, legal and sales and marketing costs, share-based compensation and other general expenses. As noted under *Operating Expenses* above, we are subject to inflationary pressures with respect to our labor and other costs.

Our total SG&A expenses (exclusive of share-based compensation expense) increased $23.0 million or 94.7% during 2013, as compared to 2012. This increase includes $24.5 million attributable to the impact of the Puerto Rico Transaction. Excluding the effect of the Puerto Rico Transaction, our total SG&A expenses decreased by $1.5 million or 6.2%. This decrease includes the following factors:

- A decrease in outsourced labor and professional fees of $3.3 million or 71.7%, is due to the net effect of (i) a decrease in fees associated with integration activities and (ii) higher fees associated with legal proceedings;

- An increase in facilities expenses of $0.9 million or 14.5%, due primarily to (i) an increase in insurance costs and (ii) nonrecurring expenses attributable to the consolidation of two facilities;

- An increase in personnel costs of $0.9 million or 10.9%, due largely to (i) a net increase in staffing levels and (ii) higher commissions associated with increased sales activity;

- A decrease in sales and marketing costs of $0.8 million or 24.0%, due to lower marketing costs; and

- A net increase resulting from individually insignificant changes in various other SG&A expense categories.

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

Our share-based compensation expense of $0.4 million during 2013 remained relatively unchanged, as compared to 2012. Share-based compensation expense includes amounts allocated to our company by Liberty Global and represents the share-based compensation associated with the Liberty Global share-based incentive awards held by certain of our employees.

Depreciation and amortization expense

Our depreciation and amortization expense increased $25.5 million or 86.1% during 2013, as compared to 2012. This increase is primarily attributable to (i) the effects of the Puerto Rico Transaction and (ii) increases associated with property and equipment additions related to the installation of customer premises equipment.

Impairment, restructuring and other operating items, net

We recognized impairment, restructuring and other operating items, net, of $15.2 million during 2013, as compared to $14.7 million during 2012. In connection with reorganization and integration activities associated with the Puerto Rico Transaction, we recorded $10.0 million in restructuring charges related to the termination of certain contracts. In addition, our restructuring charges during 2013 include $1.6 million of employee severance and termination costs related to reorganization and integration activities.

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

Interest expense – third-party

Our third-party interest expense increased $35.4 million during 2013, as compared to 2012. This increase is primarily attributable to (i) a higher average outstanding debt balance, with most of the increase attributable to the debt of OneLink that we assumed in connection with the Puerto Rico Transaction, and (ii) higher weighted average interest rates.

For additional information regarding our outstanding third-party indebtedness, see note 7 to our financial statements.

Interest expense – related-party

Our related-party interest expense increased $1.2 million during 2013, as compared to 2012. This increase is due to the higher weighted average balance of our Shareholder Loan, which was entered into on December 31, 2012.

For additional information regarding the Shareholder Loan, see note 7 to our financial statements.

Realized and unrealized losses on derivative instruments, net

Our realized and unrealized losses on derivative instruments include (i) unrealized changes in the fair values of our derivative instruments that are non-cash in nature until such time as the underlying contracts are fully or partially settled and (ii) realized gains or losses upon the full or partial settlement of the underlying contracts. We had no outstanding derivative instruments during 2013. We incurred net losses related to our interest rate exchange contracts of $2.4 million during 2012.

For additional information regarding our derivative instruments, see notes 4 and 5 to our financial statements.

Loss on debt extinguishment

We recognized a loss on debt extinguishment of $4.4 million during 2012. This loss includes (i) $3.8 million of third-party costs incurred in connection with the August 2012 Liberty Puerto Rico Bank Facility and (ii) the write-off of deferred financing fees of $0.6 million related to the repayment of the Old Liberty Puerto Rico Bank Facility.

For additional information regarding our debt, see note 7 to our financial statements.

Income tax benefit

We recognized no income tax expense or benefit during 2013 and an income tax benefit of $80.0 million during 2012.

Effective with its formation in the November 2012 Merger, Liberty Puerto Rico is 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, following the formation of Liberty Puerto Rico, our taxable income or loss is proportionately included in the income tax returns of each member, as applicable.

The income tax benefit during 2012 differs from the expected income tax benefit of $3.9 million (based on the U.S. federal income tax rate of 35.0%) due primarily to (i) the $73.0 million positive impact of a change in our tax status to a partnership that is no longer a separate tax-paying entity as of November 8, 2012 and (ii) the positive impact of a Puerto Rico tax benefit recorded in addition to the U.S. federal tax benefit.

For additional information regarding our income taxes, see note 8 to our financial statements.

Net earnings (loss)

We reported net earnings (loss) of ($12.5 million) and $69.0 million during 2013 and 2012, respectively, including (i) operating income of $36.6 million and $8.2 million, respectively, (ii) net non-operating expenses of $49.1 million and $19.2 million, respectively, and (iii) income tax benefit of nil and $80.0 million, respectively.

Our ability to achieve earnings is largely dependent on our ability to increase our aggregate operating cash flow to a level that more than offsets the aggregate amount of our (i) share-based compensation, (ii) depreciation and amortization, (iii) impairment, restructuring and other operating items, net, (iv) interest expense and (v) other net non-operating expenses.

Liquidity and Capital Resources

Sources and Uses of Cash

We had $9.5 million of cash at December 31, 2013. In addition to our existing cash, the primary sources of our liquidity are cash provided by operations and borrowings available under the Liberty Puerto Rico Bank Facility. From time to time, our owners may also agree to provide funding to us in the form of subordinated loans or equity contributions.

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 and (iii) satisfaction of contingencies.

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

Capitalization

Our ability to generate cash from our operations will depend on our future operating performance, which is in turn dependent, to some extent, on general economic, financial, competitive, market, regulatory and other factors, many of which are beyond our control. We believe that our cash, the cash provided from our operations and any available borrowings under the Liberty Puerto Rico Bank Facility will be sufficient to fund our currently anticipated working capital needs (taking into account our working capital deficit at December 31, 2013), property and equipment additions and debt service requirements during the next 12 months, although no assurance can be given that this will be the case. For additional information regarding available borrowings under the Liberty Puerto Rico Bank Facility, see note 7 to our financial statements. In addition, under certain circumstances, it is possible that LGI Broadband Operations would increase the amount loaned to our company pursuant to the Shareholder Loan or a similar arrangement. No assurance can be given that our owners would agree to loan additional amounts to our company on a subordinated basis. As our debt matures, we anticipate that we will seek to refinance or otherwise extend our debt maturities. No assurance can be given that we will be able to complete these refinancing transactions or otherwise extend our debt maturities. In this regard, it is not possible to predict how political and economic conditions, sovereign debt concerns and/or any adverse regulatory developments could impact the credit markets we access and accordingly, our future liquidity and financial position. 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.

At December 31, 2013, our outstanding third-party debt and capital lease obligations aggregated \$666.6 million, including \$5.7 million that is classified as current in our balance sheet and \$638.4 million that is due in 2017 or thereafter.

Our ability to service or refinance our debt and to maintain compliance with our leverage covenants is dependent primarily on our ability to maintain or increase our operating cash flow and to achieve adequate returns on our property and equipment additions and acquisitions. In addition, our ability to obtain additional debt financing is limited by the leverage covenants contained in our credit agreement. In this regard, if our operating cash flow were to decline, we could be required to repay or limit our borrowings under the Liberty Puerto Rico Bank Facility in order to maintain compliance with applicable covenants. No assurance can be given that we would have sufficient sources of liquidity, or that any funding would be available on favorable terms, or at all, to fund any such required repayment.

Statements of Cash Flows

Summary. Our 2013 and 2012 statements of cash flows are summarized as follows:

	Year ended December 31, 2013	2012	Change
	in millions		
Net cash provided by operating activities	$ 39.6	$ 16.5	$ 23.1
Net cash used by investing activities	(55.7)	(26.7)	(29.0)
Net cash provided by financing activities	23.2	2.9	20.3
Net increase (decrease) in cash	$ 7.1	$ (7.3)	$ 14.4

Operating activities. The increase in net cash provided by our operating activities is primarily attributable to the net effect of (i) an increase in the cash provided by our operating cash flow and related working capital items and (ii) a decrease due to higher cash payments for interest, both of which are primarily due to the Puerto Rico Transaction.

Investing activities. The increase in cash used by our investing activities is primarily attributable to an increase in capital expenditures.

The capital expenditures that we report in our 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 statements of cash flows, which exclude amounts financed under capital lease arrangements, 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 statements of cash flows is set forth below:

	Year ended December 31,	
	2013	2012
	in millions	
Property and equipment additions	$ 65.8	$ 25.5
Changes in current liabilities related to capital expenditures	(9.1)	(0.8)
Assets acquired under capital leases	(1.2)	(0.7)
Capital expenditures	$ 55.5	$ 24.0

During 2013 and 2012, our property and equipment additions were $65.8 million and $25.5 million, respectively. The increase in our property and equipment additions is due primarily to the net effect of (i) an increase due to the effects of the Puerto Rico Transaction, (ii) an increase in expenditures for the purchase and installation of customer premises equipment, (iii) a decrease in expenditures for new build and upgrade projects and (iv) an increase in expenditures for support capital, such as information technology upgrades and general support systems. During 2013 and 2012, our property and equipment additions represented 22.1% and 17.5% of our revenue, respectively.

Financing activities. The change in net cash provided by our financing activities is primarily attributable to the net effect of (i) an increase in cash provided from parent contributions of $15.5 million, (ii) an increase in cash provided of $12.5 million due to lower cash settlements of derivative instruments, (iii) a decrease in cash provided of $10.0 million due to changes in cash collateral, (iv) an increase in cash provided of $8.5 million due to lower payments of financing costs and (v) a decrease in cash provided of $6.7 million due to lower borrowings of related-party debt.