LIBERTY CABLEVISION OF PUERTO RICO LLC

Condensed Consolidated Financial Statements
March 31, 2018

LIBERTY CABLEVISION OF PUERTO RICO LLC

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LIBERTY CABLEVISION OF PUERTO RICO LLC

TABLE OF CONTENTS

	Page Number
CONDENSED CONSOLIDATED FINANCIAL STATEMENTS	
Condensed Consolidated Balance Sheets as of March, 31 2018 and December 31, 2017 (unaudited)	3
Condensed Consolidated Statements of Operations for the Three Months Ended March 31, 2018 and 2017 (unaudited)	4
Condensed Consolidated Statement of Changes in Members' Capital for the Three Months Ended March 31, 2018 (unaudited)	5
Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2018 and 2017 (unaudited)	6
Notes to Condensed Consolidated Financial Statements (unaudited)	7
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	17

LIBERTY CABLEVISION OF PUERTO RICO LLC

CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)

	March 31, 2018	December 31, 2017
	in millions	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 40.5	$ 41.0
Trade receivables, net of allowances of $10.7 million and $10.8 million, respectively	17.9	10.5
Prepaid expenses	11.1	5.9
Other current assets	8.4	7.3
Total current assets	77.9	64.7
Property and equipment, net	456.6	400.8
Goodwill	277.7	277.7
Cable television franchise rights	540.0	540.0
Customer relationships, net	82.1	86.7
Other assets, net	9.0	4.0
Total assets	$ 1,443.3	$ 1,373.9
LIABILITIES AND MEMBERS' CAPITAL		
Current liabilities:		
Accounts payable	$ 24.6	$ 18.1
Deferred revenue	10.0	8.1
Accrued capital expenditures	70.5	61.8
Third-party accrued interest	11.5	10.9
Insurance advance	35.1	—
Other accrued and current liabilities	16.7	18.4
Total current liabilities	168.4	117.3
Long-term debt:		
Third-party	971.8	971.2
Related-party	50.2	25.0
Other long-term liabilities	2.2	4.7
Total liabilities	1,192.6	1,118.2
Commitments and contingencies		
Members' capital:		
Members' capital	306.4	311.4
Cayman Holding Receivable	(55.7)	(55.7)
Members' capital after deducting loan receivable from member	250.7	255.7
Total liabilities and members' capital	$ 1,443.3	$ 1,373.9

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

LIBERTY CABLEVISION OF PUERTO RICO LLC

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(unaudited)

	Three months ended March 31,	
	2018	**2017**
	in millions	
Revenue	$ 61.8	$ 106.7
Operating costs and expenses (exclusive of depreciation and amortization, shown separately below):		
Programming and other direct costs of services	16.5	27.6
Other operating	14.6	15.4
Selling, general and administrative (**SG&A**)	13.0	13.1
Depreciation and amortization	18.5	20.5
Impairment, restructuring and other operating items, net	(1.0)	—
	61.6	76.6
Operating income	0.2	30.1
Non-operating income (expense):		
Interest expense:		
Third-party	(14.2)	(12.5)
Related-party	(0.4)	—
Realized and unrealized gains on interest rate derivative instruments, net	9.1	0.1
Other income (expense), net	0.1	(0.1)
	(5.4)	(12.5)
Net earnings (loss)	$ (5.2)	$ 17.6

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

LIBERTY CABLEVISION OF PUERTO RICO LLC

CONDENSED CONSOLIDATED STATEMENT OF CHANGES IN MEMBERS' CAPITAL
(unaudited)

	Class A preferred units	Class B common units	Total members' capital	Cayman Holding Receivable	Members' capital after deducting loan receivable from member
			in millions		
Balance at January 1, 2018, before effect of accounting change	$ 214.5	$ 96.9	$ 311.4	$ (55.7)	$ 255.7
Accounting change (note 2)	—	(0.1)	(0.1)	—	(0.1)
Balance at January 1, 2018, as adjusted for accounting change	214.5	96.8	311.3	(55.7)	255.6
Net loss	—	(5.2)	(5.2)	—	(5.2)
Priority Return	2.6	(2.6)	—	—	—
Share-based compensation	—	0.3	0.3	—	0.3
Balance at March 31, 2018	$ 217.1	$ 89.3	$ 306.4	$ (55.7)	$ 250.7

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

LIBERTY CABLEVISION OF PUERTO RICO LLC

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(unaudited)

	Three months ended March 31,	
	2018	**2017**
	in millions	
Cash flows from operating activities:		
Net earnings (loss)	$ (5.2)	$ 17.6
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:		
Share-based compensation expense	0.3	0.7
Depreciation and amortization	18.5	20.5
Impairment, restructuring and other operating items, net	(1.0)	—
Amortization of debt financing costs and discounts	0.6	0.7
Realized and unrealized gains on derivative instruments, net	(9.1)	(0.1)
Insurance advance	35.1	—
Changes in other operating assets and liabilities	(3.7)	(6.6)
Net cash provided by operating activities	35.5	32.8
Cash flows from investing activities:		
Capital expenditures	(61.0)	(26.9)
Net cash used by investing activities	(61.0)	(26.9)
Cash flows from financing activities:		
Distributions to members, net	—	(50.6)
Repayments of third-party debt and capital lease obligations	—	(0.1)
Borrowings of related-party debt	25.0	—
Payments received on the Cayman Holding Receivable	—	12.3
Net cash provided (used) by financing activities	25.0	(38.4)
Net decrease in cash and cash equivalents	(0.5)	(32.5)
Cash and cash equivalents:		
Beginning of period	41.0	78.5
End of period	$ 40.5	$ 46.0
Cash paid for interest - third-party	$ 13.0	$ 12.3

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

(1) Basis of Presentation

Organization

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

Split-Off of Liberty Latin America from Liberty Global

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

Financial Condition

In September 2017, the island of Puerto Rico was significantly impacted by Hurricanes Maria and, to a lesser extent, Irma, resulting in extensive damage to homes, businesses and infrastructure, including damage to Puerto Rico's power supply and transmission system. Similarly, our broadband communications network suffered extensive damage. As of March 31, 2018, we have been able to restore service to approximately 560,000 revenue generating units (**RGU**s) of our total estimated 723,100 RGUs. Additionally, we estimate that approximately $130 million of property and equipment additions will be required to restore nearly all of our broadband communications network, of which approximately $112 million has been incurred following the hurricanes through March 31, 2018.

The cash provided by our operations was a significant source of pre-hurricane liquidity. As a result of the hurricane impacts, we do not expect we will generate positive cash from operations, inclusive of capital expenditures, until at least the latter half of 2018. In this regard, our current liquidity needs are being funded by an equity commitment through December 31, 2018 of up to $60 million from Liberty Latin America and Searchlight (collectively, the **Equity Commitment Guarantors**) to fund any potential liquidity shortfalls. We have received a total of $45 million, $25 million during the first quarter of 2018 and $20 million subsequent to March 31, 2018, in the form of a subordinated related-party loan from Leo Cable LP (**Leo Cable**), the parent company of Cayman Holding, as further described in note 8. Our current liquidity needs are also being funded by an insurance advance of $35 million ($30 million through a third-party insurance provider and the remainder through the Captive, as defined and described in note 8). Future liquidity sources are expected to include further insurance proceeds, the remaining $15 million of the equity commitment from the Equity Commitment Guarantors, as applicable, and cash from operations. While there are still uncertainties with respect to our recovery from the hurricanes, and no assurance can be given as to the ultimate amount or timing of liquidity to be received from cash from operations or insurance proceeds, we expect our existing and potential sources of liquidity will be sufficient to satisfy our liquidity requirements over the next twelve months.

Basis of Presentation

Our unaudited condensed consolidated financial statements have been prepared in accordance with accounting principles generally accepted in the United States (**U.S. GAAP**). Accordingly, these financial statements do not include all of the information

required by U.S. GAAP for complete financial statements. In the opinion of management, these financial statements reflect all adjustments (consisting of normal recurring adjustments) necessary for a fair presentation of the results of operations for the interim periods presented. The results of operations for any interim period are not necessarily indicative of results for the full year. These unaudited condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and notes thereto included in our 2017 annual report.

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Estimates and assumptions are used in accounting for, among other things, the valuation of acquisition-related assets and liabilities, allowances for uncollectible accounts, programming and copyright expenses, loss contingencies, fair value measurements, impairment assessments, capitalization of internal costs associated with construction and installation activities and useful lives of long-lived assets. Actual results could differ from those estimates.

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

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

These unaudited condensed consolidated financial statements reflect our consideration of the accounting and disclosure implications of subsequent events through May 24, 2018, the date of issuance.

(2) Accounting Change and Recent Accounting Pronouncement

Accounting Change

ASU 2014-09

In May 2014, the Financial Accounting Standards Board (**FASB**) issued Accounting Standards Update (**ASU**) No. 2014-09, *Revenue from Contracts with Customers* (**ASU 2014-09**), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. We adopted ASU 2014-09 effective January 1, 2018 by recording the cumulative effect to the opening balance of our Class B Common Member's (as defined in note 7) capital account. We applied the new standard to contracts that were not complete as of January 1, 2018. The comparative information has not been restated and continues to be reported under the accounting standards in effect for those periods. The primary impact of ASU 2014-09 relates to the revenue recognition policy surrounding our accounting for certain installation and other upfront fees charged to our customers.

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

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

The impact of adopting ASU 2014-09 did not have a material impact on our condensed consolidated financial statements for the period ending March 31, 2018.

Our revenue by major category is set forth below:

	Three months ended March 31,	
	2018	2017
	in millions	
Residential fixed revenue:		
Subscription revenue (a):		
Video	$ 23.3	$ 42.7
Broadband internet	25.3	40.4
Fixed-line telephony	3.5	6.4
Total subscription revenue	52.1	89.5
Non-subscription revenue (b)	1.7	5.9
Total residential fixed revenue	53.8	95.4
Business-to-business (**B2B**) revenue:		
Subscription revenue (c)	4.3	6.7
Non-subscription revenue (d)	3.0	3.3
Total B2B revenue	7.3	10.0
Other revenue (e)	0.7	1.3
Total	$ 61.8	$ 106.7

(a) Residential fixed subscription revenue includes amounts received from subscribers for ongoing services.

(b) Residential fixed non-subscription revenue includes, among other items, advertising revenue and late fees.

(c) B2B subscription revenue represents revenue from services to certain small or home office (**SOHO**) subscribers. SOHO subscribers pay a premium price to receive expanded service levels along with video, broadband internet or fixed-line telephony services that are the same or similar to the mass marketed products offered to our residential subscribers.

(d) B2B non-subscription revenue primarily includes business broadband internet, video, fixed-line telephony and data services offered to medium to large enterprises and, on a wholesale basis, to other telecommunication operators.

(e) Other revenue primarily includes franchise fees.

Recent Accounting Pronouncement

ASU 2016-02

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

(3) Derivative Instruments

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

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

	March 31, 2018			December 31, 2017		
	Current (a)	Long-term (a)	Total	Current (a)	Long-term (a)	Total
	in millions					
Assets – interest rate derivative contracts (b)	$ 0.4	$ 5.5	$ 5.9	$ —	$ 0.7	$ 0.7
Liabilities – interest rate derivative contracts (b)	$ 1.5	$ —	$ 1.5	$ 4.3	$ 2.8	$ 7.1

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

(b) We consider credit risk relating to our and our counterparty's nonperformance in the fair value assessment of our derivative instruments. In all cases, the adjustments take into account offsetting liability or asset positions. The changes in the credit risk valuation adjustments associated with our interest rate derivative contracts were not material during the three months ended March 31, 2018 and 2017 and are included in realized and unrealized gains on interest rate derivative instruments, net, in our condensed consolidated statements of operations. For further information regarding our fair value measurements, see note 4.

Our cash outflows related to derivative instruments during the three months ended March 31, 2018 and 2017, were $2 million and $3 million, respectively, and are classified as operating activities in our condensed consolidated statements of cash flows.

Counterparty Credit Risk

We are exposed to the risk that the counterparty to our derivative instruments will default on their obligations to us. We manage this credit risk through the evaluation and monitoring of the creditworthiness of our counterparty. Collateral has not been posted by either party under our derivative instruments. At March 31, 2018, our exposure to counterparty credit risk included derivative assets with an aggregate fair value of $4 million.

We have entered into derivative instruments under agreements with our counterparty that contain master netting arrangements that are applicable in the event of early termination by either party to such derivative instrument.

Details of our Derivative Instruments

Interest Rate Swaps

As noted above, we enter into interest rate swaps to protect against increases in the interest rates on our variable-rate debt. Pursuant to these derivative instruments, we typically pay fixed interest rates and receive variable interest rates on specified notional amounts. At March 31, 2018, the outstanding notional amount of our interest rate swap contracts was $675 million and the related weighted average remaining contractual life was 3.0 years.

Interest Rate Caps

We enter into interest rate cap agreements that lock in a maximum interest rate if variable rates rise, but also allow our company to benefit from declines in market rates. At March 31, 2018, the total notional amount of our interest rate caps was $436 million.

Impact of Derivative Instruments on Borrowing Costs

The weighted-average impact of derivative instruments on our borrowing costs at March 31, 2018 was an increase of 44 basis points.

(4) Fair Value Measurements

We use the fair value method to account for our derivative instruments. The reported fair values of our derivative instruments as of March 31, 2018 likely will not represent the value that will be paid or received upon the ultimate settlement or disposition of these assets and liabilities, as we expect that the values realized generally will be based on market conditions at the time of settlement, which may occur at the maturity of the derivative instrument or at the time of the repayment or refinancing of the underlying debt instrument.

U.S. GAAP provides for a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability. We record transfers of assets or liabilities into or out of Levels 1, 2 or 3 at the beginning of the quarter during which the transfer occurred. During the three months ended March 31, 2018, no such transfers were made.

In order to manage our interest rate risk, we have entered into various derivative instruments, as further described in note 3. The recurring fair value measurements of these derivative instruments are determined using discounted cash flow models. Most of the inputs to these discounted cash flow models consist of, or are derived from, observable Level 2 data for substantially the full term of these derivative instruments. This observable data mostly includes interest rate futures and swap rates, which are retrieved or derived from available market data. Although we may extrapolate or interpolate this data, we do not otherwise alter this data in performing our valuations. We incorporate a credit risk valuation adjustment in our fair value measurements to estimate the impact of both our own nonperformance risk and the nonperformance risk of our counterparty. Our and our counterparty's credit spreads represent our most significant Level 3 inputs, and these inputs are used to derive the credit risk valuation adjustments with respect to these instruments. As we would not expect changes in our or our counterparty's credit spreads to have a significant impact on the valuations of these instruments, we have determined that these valuations fall under Level 2 of the fair value hierarchy. Our credit risk valuation adjustments with respect to our interest rate swaps are quantified and further explained in note 3.

(5) Long-lived Assets

Property and Equipment, Net

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

	March 31, 2018	December 31, 2017
	in millions	
Distribution systems	$ 713.8	$ 644.8
Support equipment, buildings and land	66.5	65.8
	780.3	710.6
Accumulated depreciation	(323.7)	(309.8)
Total	$ 456.6	$ 400.8

Customer Relationships, Net

The details of our customer relationships and the related accumulated amortization are set forth below:

	March 31, 2018	December 31, 2017
	in millions	
Gross carrying amount	$ 149.1	$ 149.1
Accumulated amortization	(67.0)	(62.4)
Net carrying amount	$ 82.1	$ 86.7

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

(6) Debt

Our third-party debt obligations are as follows:

	March 31, 2018		Estimated fair value (c)		Principal amount	
	Weighted average interest rate (a)	Unused borrowing capacity (b)	March 31, 2018	December 31, 2017	March 31, 2018	December 31, 2017
			in millions			
Third-party debt before discounts and deferred financing costs (d)	5.52%	$ —	$ 951.1	$ 951.8	$ 982.5	$ 982.5

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

	March 31, 2018	December 31, 2017
	in millions	
Third-party debt before discounts and deferred financing costs	$ 982.5	$ 982.5
Discounts and deferred financing costs	(10.7)	(11.3)
Total carrying amount of third-party debt	971.8	971.2
Related-party debt (note 8)	50.2	25.0
Total long-term debt	$ 1,022.0	$ 996.2

(a) Represents the weighted average interest rate in effect at March 31, 2018 for all borrowings outstanding pursuant to each debt instrument, including any applicable margin. The interest rate presented represents the stated rate and does not include the impact of derivative instruments, deferred financing costs, original issue discounts and commitment fees, all of which affect our overall cost of borrowing. Including the effects of derivative instruments, original issue discounts and commitment fees, but excluding the impact of financing costs, the weighted average interest rate on our third-party indebtedness was 5.96% at March 31, 2018. For information regarding our derivative instruments, see note 3.

(b) Unused borrowing capacity represents the maximum availability under the LPR Revolving Loan at March 31, 2018 without regard to covenant compliance calculations or other conditions precedent to borrowing. At March 31, 2018, no amounts are available to be borrowed under the LPR Revolving Loan.

(c) The estimated fair values of our debt instruments are 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 4.

(d) Represents the Liberty Puerto Rico Bank Facility, which consists of (i) the LPR First Lien Term Loan, (ii) the LPR Second Lien Term Loan and (iii) the LPR Revolving Loan.

Maturities of Debt

As of March 31, 2018, $40 million, $850 million and $93 million of our debt matures in 2020, 2022 and 2023, respectively.

(7) Members' Capital

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

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

A priority return (the **Priority Return**) shall be made, from time to time, to the Class A Preferred Member based on a per annum rate of 11% on the adjusted value of the Class A preferred units, as specified in the LLC Agreement. Whether or not declared, the Priority Return accrues on a daily basis, is cumulative and compounds annually on December 31. In accordance with the LLC Agreement, Priority Returns are accrued and recorded quarterly as increases to the Class A Preferred Member capital and decreases to the Class B Common Member capital. The Priority Return shall be reflected as a liability, and generally only paid, when and if declared. As of March 31, 2017, we had no cumulative Priority Return accrued.

(8) Related-party Transactions

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

	Three months ended March 31,	
	2018	2017
Revenue	$ 0.2	$ —
Programming and other direct costs of services	(1.2)	(0.6)
Other operating	(0.1)	—
SG&A (excluding share-based compensation)	(0.2)	—
Allocated share-based compensation expense	(0.3)	(0.1)
Included in operating income	(1.6)	(0.7)
Interest expense	(0.4)	—
Included in net earnings (loss)	$ (2.0)	$ (0.7)

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

Programming and other direct costs of services. These amounts represent services provided by C&W.

Other operating. These amounts represent services provided by VTR.

SG&A. These amounts represent services provided by a subsidiary of Liberty Global.

Allocated share-based compensation expense. These amounts represent share-based compensation expense that Liberty Latin America allocated to our company with respect to share-based incentive awards held by certain of our employees, which are reflected as an increase to members' capital in our condensed consolidated statement of changes in members' capital. Prior to the Split-Off, share-based compensation expense was allocated to us by Liberty Global.

Interest expense. This amount relates to the Cayman Holding Loan and the Leo Cable Loan, each as defined and described below.

The following table provides details of our related-party balances (in millions):

	March 31, 2018	December 31, 2017
Assets:		
Other current assets (a)	$ 1.0	$ 0.8
Other assets, net (b)	1.4	1.4
Total assets	$ 2.4	$ 2.2
Liabilities:		
Accounts payable (c)	$ 7.3	$ 5.8
Insurance advance (d)	5.5	—
Debt:		
Cayman Holding Loan (e)	25.2	25.0
Leo Cable Loan (f)	25.0	—
Other long-term liabilities (g)	0.4	0.2
Total liabilities	$ 63.4	$ 31.0

(a) The amounts represent the estimated probable insurance recoveries that will ultimately be the obligation of a captive insurance subsidiary of C&W (the **Captive**).

(b) The amounts represent various non-interest bearing related-party receivables.

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

(d) The amount represents the insurance advance received through the Captive.

(e) On October 31, 2017, we entered into a loan agreement with Cayman Holding (the **Cayman Holding Loan**), which is subordinate in right of payment to the Liberty Puerto Rico Bank Facility. The Cayman Holding Loan bears interest at 4.89% per annum and has a maturity date of July 7, 2024. Interest accrues and is (i) payable on the last day of each month and on the date of each full or partial repayment of the outstanding principal or (ii) transferred to the principal balance of the loan on January 1 of each year. The increase in the Cayman Holding Loan balance during the three months ended March 31, 2018 relates to a non-cash transfer of accrued interest.

(f) On February 26, 2018, as part of the equity commitment from the Equity Commitment Guarantors, we entered into a loan agreement with Leo Cable (the **Leo Cable Loan**), which is subordinate in right of payment to the Liberty Puerto Rico Bank Facility. The Leo Cable Loan bears interest at 13.00% per annum and has a maturity date of July 7, 2024. Interest accrues and is (i) payable on the last day of each month and on the date of each full or partial repayment of the outstanding principal or (ii) transferred to the principal balance of the loan on January 1 of each year. Subsequent to March 31, 2018, we received an additional $20 million from Leo Cable, as part of the equity commitment from the Equity Commitment Guarantors, that was added to the principal balance of the Leo Cable Loan.

(g) The 2018 amount represents accrued and unpaid interest on the Cayman Holding Loan and the Leo Cable Loan. The 2017 amount represents accrued and unpaid interest on the Cayman Holding Loan.

In June 2015, Cayman Holding issued a related-party loan receivable to us in connection with the acquisition of Choice (the **Cayman Holding Receivable**). The Cayman Holding Receivable bears interest at 5.45% and has a maturity date of June 10, 2025. For financial reporting purposes, we have presented the Cayman Holding Receivable as a reduction of our members' capital. We do not accrue interest income on the Cayman Holding Receivable given our assessment that it is likely that we would directly or indirectly fund any amounts paid by the Class B Common Member with respect to the Cayman Holding Receivable. During 2018, there have been no principal or interest payments on the Cayman Holding Receivable.

(9) Commitments and Contingencies

Commitments

In the normal course of business, we have entered into agreements that commit our company to make cash payments in future periods with respect to network and connectivity commitments and non-cancellable operating leases. As of March 31, 2018, such commitments are as follows:

	Payments due during:							
	Remainder of 2018	2019	2020	2021	2022	2023	Thereafter	Total
	in millions							
Network and connectivity commitments (a)	$ 0.9	$ 1.2	$ 1.2	$ 1.2	$ 1.2	$ 1.2	$ 3.5	$ 10.4
Operating leases	1.2	1.3	1.1	0.9	0.8	0.8	1.1	7.2
Total (b)	$ 2.1	$ 2.5	$ 2.3	$ 2.1	$ 2.0	$ 2.0	$ 4.6	$ 17.6

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

(b) The commitments included in this table do not reflect any liabilities that are included in our March 31, 2018 condensed consolidated balance sheet.

In addition to the commitments set forth in the table above, we have certain commitments under agreements with programming vendors, franchise authorities and municipalities pursuant to which we expect to make payments in future periods. While our programming commitments do not require that we pay any fixed minimum fees, we expect to make significant future payments under these contracts based on the actual number of subscribers to the programming services. In this regard, we incurred programming and copyright costs of $14 million and $24 million during the three months ended March 31, 2018 and 2017, respectively.

In addition to the commitments set forth in the table above, we have commitments under derivative instruments pursuant to which we expect to make payments in future periods. For information regarding our derivative instruments, including the net cash paid or received in connection with these instruments during the three months ended March 31, 2018 and 2017, see note 3.

Legal and Regulatory Proceedings and Other Contingencies

Regulatory Issues. Adverse regulatory developments could subject our business to a number of risks. Regulation, including conditions imposed on us by authorities as a requirement to close acquisitions or dispositions, could limit growth, revenue and the number and types of services offered and could lead to increased operating costs and property and equipment additions. In addition, regulation may restrict our operations and subject them to further competitive pressure, including pricing restrictions, interconnect and other access obligations, and restrictions or controls on content, including content provided by third parties. Failure to comply with current or future regulation could expose our business to various penalties.

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

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 condensed consolidated financial statements and the discussion and analysis included in our 2017 annual report, is intended to assist in providing an understanding of our financial condition, changes in financial condition and results of operations and is organized as follows:

- *Forward-looking Statements.* This section provides a description of certain factors that could cause actual results or events to differ materially from anticipated results or events.
- *Overview.* This section provides a general description of our business and recent events.
- *Material Changes in Results of Operations.* This section provides an analysis of our results of operations for the three months ended March 31, 2018 and 2017.
- *Material Changes in Financial Condition.* This section provides an analysis of our liquidity, condensed consolidated statements of cash flows and contractual commitments.

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

Forward-looking Statements

Certain statements in this quarterly report constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. To the extent that statements in this quarterly report are not recitations of historical fact, such statements constitute forward-looking statements, which, by definition, involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. In particular, statements under *Management's Discussion and Analysis of Financial Condition and Results of Operations* may contain forward-looking statements, including statements regarding the economic environment in Puerto Rico, our business, product, finance strategies in 2018, the anticipated rate and cost of our recovery from the impact of Hurricanes Maria and Irma, including our estimated property and equipment additions, programming and copyright costs, subscriber growth and retention rates, competitive, regulatory and economic factors, anticipated changes in our revenue, costs or growth rates, our liquidity, credit risks, target leverage level, our future projected contractual commitments and cash flows and other information and statements that are not historical fact. Where, in any forward-looking statement, we express an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved or accomplished. In evaluating these statements, you should consider the following list of some but not all of the factors that could cause actual results or events to differ materially from anticipated results or events:

- economic and business conditions and industry trends in Puerto Rico, including any adverse impacts that may arise as a result of the high level of Puerto Rico's sovereign debt and the ability of customers in Puerto Rico to pay for our services;
- the competitive environment in Puerto Rico, including competitor responses to our products and services;
- fluctuations in interest rates;
- instability in global financial markets, including sovereign debt issues and related fiscal reforms;
- consumer disposable income and spending levels, including the availability and amount of individual consumer debt;
- changes in consumer television viewing preferences and habits;
- customer acceptance of our existing service offerings, including our 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 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 requires opening our broadband distribution network to competitors;
- our ability to obtain regulatory approval and satisfy other conditions necessary to close acquisitions and dispositions and the impact of conditions imposed by competition and other regulatory authorities in connection with acquisitions;
- our ability to successfully acquire new businesses and, if acquired, to integrate, realize anticipated efficiencies from, and implement our business plan with respect to, the businesses we have acquired or that we expect to acquire;
- changes in laws or treaties relating to taxation, or the interpretation thereof;
- changes in laws and government regulations that may impact the availability and cost of capital and the derivative instruments that hedge certain of our financial risks;
- the ability of suppliers and vendors to timely deliver quality products, equipment, software, services and access;
- the availability of attractive programming for our video services and the costs associated with such programming, including retransmission and copyright fees payable to public and private broadcasters;
- uncertainties inherent in the development and integration of new business lines and business strategies;
- our ability to adequately forecast and plan future network requirements and contingencies, including resolution of those contingencies;
- the availability of capital for the acquisition and/or development of telecommunications networks and services;
- expectations with respect to liquidity, including cash from operations or insurance proceeds;
- certain factors outside of our control that may impact the timing and extent of the restoration of our networks and services following Hurricanes Maria and Irma, as further discussed in *Overview* below;
- problems we may discover post-closing with the operations, including the internal controls and financial reporting process, of businesses we acquire;
- the leakage of sensitive customer data;
- the loss of key employees and the availability of qualified personnel;
- changes in the nature of key strategic relationships with partners; and
- events that are outside of our control, such as political unrest in international markets, terrorist attacks, malicious human acts, hurricanes and other natural disasters, pandemics and other similar events.

The broadband distribution industry is changing rapidly and, therefore, the forward-looking statements of expectations, plans and intent in this quarterly report are subject to a significant degree of risk. These forward-looking statements and the above described risks, uncertainties and other factors speak only as of the date of this quarterly report, and we expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein, to reflect

any change in our expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based. Readers are cautioned not to place undue reliance on any forward-looking statement.

Overview

General

We are a provider of video, broadband internet and fixed-line telephony services to residential and business customers in Puerto Rico. LiLAC Communications indirectly owns a 60.0% controlling interest in Liberty Puerto Rico, with the remaining 40.0% interest indirectly owned by Searchlight. LiLAC Communications is a wholly-owned subsidiary of Liberty Latin America, an international provider of video, broadband internet, fixed-line telephony and mobile services. On December 29, 2017, Liberty Global completed the Split-Off of its former wholly-owned subsidiary Liberty Latin America. For additional information regarding the Split-Off, see note 1 to our condensed consolidated financial statements.

Impacts of Hurricanes

In September 2017, the island of Puerto Rico was impacted by Hurricanes Maria and, to a lesser extent, Irma, resulting in extensive damage to homes, businesses and infrastructure. We continue to remain uncertain as to the extent and ultimate completion of our restoration and reconnection efforts.

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

During the three months ended March 31, 2018, we received an advance payment of $35 million ($30 million through a third-party insurance provider and the remainder through the Captive) associated with the initial insurance claims filed in connection with damages sustained from the hurricanes. Until such claims are legally settled, the advance is presented as a current liability in our condensed consolidated balance sheet.

The damage caused by Hurricanes Maria and, to a lesser extent, Irma was extensive and widespread. Individuals and businesses across Puerto Rico continue to deal with significant challenges caused by the severe damage to essential infrastructure, including damage to Puerto Rico's power supply and transmission system. Similarly, our broadband communications network suffered extensive damage. As of March 31, 2018, we have been able to restore service to approximately 560,000 RGUs of our total estimated 723,100 RGUs. Additionally, we estimate that approximately $130 million of property and equipment additions will be required to restore nearly all of our broadband communications network, of which approximately $112 million has been incurred following the hurricanes through March 31, 2018.

While the negative impacts from the hurricanes are declining as the network is restored and customers are reconnected, we expect that the adverse impacts of the hurricanes on our revenue and Segment OCF, as defined in *Material Changes in Results of Operations*, will continue through 2018 and beyond. The severity of the hurricanes' impact on our revenue and Segment OCF will be influenced in part by the following uncertainties:

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

In terms of liquidity, the cash provided by our operations was a significant source of pre-hurricane liquidity. As a result of the hurricane impacts, we do not expect we will generate positive cash from operations, inclusive of capital expenditures, until at least the latter half of 2018. In this regard, our current liquidity needs are being funded by an equity commitment through December 31, 2018 of up to $60 million from the Equity Commitment Guarantors to fund any potential liquidity shortfalls. We have received

a total of $45 million, $25 million during the first quarter of 2018 and $20 million subsequent to March 31, 2018, in the form of a subordinated related-party loan from Leo Cable, as further described in note 8 to our condensed consolidated financial statements. Our current liquidity needs are also being funded by an insurance advance of $35 million ($30 million through a third-party insurance provider and the remainder through the Captive). Future liquidity sources are expected to include further insurance proceeds, the remaining $15 million of the equity commitment from the Equity Commitment Guarantors, as applicable, and cash from operations. While there are still uncertainties with respect to our recovery from the hurricanes, and no assurance can be given as to the ultimate amount or timing of liquidity to be received from cash from operations or insurance proceeds, we expect our existing and potential sources of liquidity will be sufficient to satisfy our liquidity requirements over the next twelve months. For information regarding the impacts of Hurricanes Irma and Maria on our cash flows and liquidity, see note 1 to our condensed consolidated financial statements and the discussion under "Material Changes in Financial Condition — *Sources and Uses of Cash*" below.

Operations

As described above, Hurricanes Maria and, to a lesser extent, Irma caused significant damage to our operations, resulting in disruptions to our telecommunications services. As we are still in the process of assessing the operational impacts of the hurricanes, we are unable to accurately estimate our homes passed and subscriber numbers as of March 31, 2018. Accordingly, the March 31, 2018 subscriber numbers reflect subscriber amounts as of August 31, 2017 as adjusted through March 31, 2018 for (i) net voluntary disconnects and (ii) disconnects related to customers whose accounts are delinquent. The homes passed reflect the August 31, 2017 levels adjusted for approximately 30,000 homes in geographic areas we may not rebuild.

At March 31, 2018, we owned and operated a network that passed 1,076,900 homes and served 723,100 RGUs, consisting of 310,500 broadband internet subscribers, 222,200 video subscribers and 190,400 fixed-line telephony subscribers.

Material Changes in Results of Operations

General

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

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

Revenue

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

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

Variances in the subscription revenue that we receive from our customers are a function of (i) changes in the number of RGUs during the period and (ii) changes in average monthly subscription revenue per average RGU (**ARPU**). Changes in ARPU can be attributable to (i) changes in prices, (ii) changes in bundling or promotional discounts, (iii) changes in the tier of services selected, (iv) variances in subscriber usage patterns and (v) the overall mix of cable products during the period. In the following discussion, we discuss ARPU changes in terms of the net impact of the above factors on the ARPU that is derived from our video, broadband internet and fixed-line telephony products. Variances in our revenue during the three months ended March 31, 2018, as compared to the corresponding period in 2017, were significantly impacted by Hurricanes Maria and Irma.

As further described in note 2 to our condensed consolidated financial statements, we adopted ASU 2014-09 effective January 1, 2018 using the cumulative effect transition method. The impact to revenue during the three months ended March 31, 2018 was not material.

Due to the significant impact of the hurricanes on our operations, we have provided supplementary sequential information in order to provide a meaningful analysis of our business, including recovery after the hurricanes. Accordingly, our revenue by major category during each of the three months ended March 31, 2018, December 31, 2017 and March 31, 2017 is set forth below:

	Three months ended		
	March 31, 2018	December 31, 2017	March 31, 2017
		in millions	
Residential fixed revenue:			
Subscription revenue:			
Video	$ 23.3	$ 5.3	$ 42.7
Broadband internet	25.3	7.8	40.4
Fixed-line telephony	3.5	1.2	6.4
Total subscription revenue	52.1	14.3	89.5
Non-subscription revenue	1.7	0.5	5.9
Total residential fixed revenue	53.8	14.8	95.4
B2B revenue:			
Subscription revenue	4.3	1.3	6.7
Non-subscription revenue	3.0	0.7	3.3
Total B2B revenue	7.3	2.0	10.0
Other revenue	0.7	0.1	1.3
Total	$ 61.8	$ 16.9	$ 106.7

The decrease in revenue during the three months ended March 31, 2018, as compared to the corresponding period in 2017, is primarily attributable to Hurricanes Maria and Irma.

The table below presents changes in (i) residential fixed subscription revenue due to changes in the average number of RGUs and ARPU, (ii) residential fixed non-subscription revenue, (iii) B2B revenue and (iv) other revenue, each reflective of changes during the three months ended March 31, 2018, as compared to the three months ended December 31, 2017.

	Subscription revenue	Non-subscription revenue	Total
		in millions	
Increase in residential fixed subscription revenue due to change in:			
Average number of RGUs (a)	$ 35.5	$ —	$ 35.5
ARPU (b)	2.3	—	2.3
Increase in residential fixed non-subscription revenue (c)	—	1.2	1.2
Total increase in residential fixed revenue	37.8	1.2	39.0
Increase in B2B revenue (d)	3.0	2.3	5.3
Increase in other revenue	—	0.6	0.6
Total	$ 40.8	$ 4.1	$ 44.9

(a) The increase is attributable to increases in broadband internet, video and fixed-line telephony RGUs, primarily due to the reconnection of subscribers associated with the recovery in Puerto Rico following the hurricanes.

(b) The increase is primarily attributable to reconnecting higher ARPU customers during the first quarter of 2018.

(c) The increase is primarily due to higher late fees, advertising revenue and reconnect fees resulting from the ongoing recovery from the hurricanes.

(d) The increase in subscription revenue is primarily attributable to increases in broadband internet, fixed-line telephony and video SOHO RGUs, primarily due to the reconnection of subscribers associated with the recovery in Puerto Rico following the hurricanes. The increase in non-subscription revenue is primarily attributable to higher revenue from broadband internet services, resulting from the restoration of fiber circuits to our B2B customers.

Programming and other direct costs of services

Programming and other direct costs of services include programming and copyright and other direct costs related to our operations. Notwithstanding the impact of the hurricanes, programming and copyright costs, which represent a significant portion of our operating costs, are expected to rise in future periods as a result of (i) higher costs associated with the expansion of our digital video content, including rights associated with ancillary product offerings and rights that provide for the broadcast of live sporting events, (ii) rate increases and (iii) growth in the number of our enhanced video subscribers.

Our programming and other direct costs of services decreased $11 million or 40.2% during the three months ended March 31, 2018, as compared to the corresponding period in 2017. This decrease is primarily due to a decline in programming and copyright costs of $10 million or 42.7%, which is mostly attributable to (i) $7 million of credits from vendors stemming from Hurricanes Irma and Maria and (ii) lower costs of $4 million resulting from disconnects of enhanced video subscribers due to the impact of the hurricanes.

Other operating expenses

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

Our other operating expenses decreased $1 million or 5.2% during the three months ended March 31, 2018, as compared to the corresponding period in 2017, primarily due to lower various indirect expenses of approximately $2 million, predominantly related to bad debt and franchise fees that decreased as a result of the hurricanes. This decrease was partially offset by higher personnel costs of $1 million resulting from hurricane recovery efforts.

SG&A expenses

SG&A expenses include human resources, information technology, general services, management, finance, legal, external sales and marketing costs, share-based compensation and other general expenses.

Our SG&A expenses (exclusive of share-based compensation expense) remained relatively unchanged during the three months ended March 31, 2018, as compared to the corresponding period in 2017.

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

We recognized share-based compensation expense of nil and $1 million during the three months ended March 31, 2018 and 2017, respectively. The expense recognized includes (i) amounts allocated to our company, as further described in note 8, and (ii) amounts related to performance share unit awards granted, pursuant to our liability-based plan in the 2017 period.

Depreciation and amortization expense

Our depreciation and amortization expense decreased $2 million or 9.8% during the three months ended March 31, 2018, as compared to the corresponding period in 2017. This decrease is primarily attributable to the net effect of (i) a decrease associated with certain assets becoming fully depreciated and (ii) an increase associated with property and equipment additions, primarily related to the pre-hurricane expansion and upgrade of our network, the installation of customer premises equipment and other capital initiatives.

Impairment, restructuring and other operating items, net

Our impairment, restructuring and other operating items, net, remained relatively unchanged during the three months ended March 31, 2018, as compared to the corresponding period in 2017.

Interest expense – third-party

Our third-party interest expense increased $2 million or 13.6% during the three months ended March 31, 2018, as compared to the corresponding period in 2017, primarily due to a higher weighted average interest rate and higher average outstanding debt balances. For additional information regarding our outstanding third-party indebtedness, see note 6 to our condensed consolidated financial statements.

Interest expense – related-party

Our related-party interest expense increased slightly during the three months ended March 31, 2018, as compared to the corresponding period in 2017, due to the Cayman Holding Loan and the Leo Cable Loan. For additional information regarding our outstanding related-party indebtedness, see note 8 to our condensed consolidated financial statements.

Realized and unrealized gains on interest rate derivative instruments, net

Our realized and unrealized gains on interest rate derivative instruments, net, were $9 million and nil during the three months ended March 31, 2018, and 2017, respectively. The gain during 2018 is attributable to changes in market interest rates in the U.S. dollar market.

For additional information regarding our derivative instruments, see notes 3 and 4 to our condensed consolidated financial statements.

Net earnings (loss)

During the three months ended March 31, 2018 and 2017, we reported net earnings (loss) of **(**$5 million**)** and $18 million, respectively, including (i) operating income of nil and $30 million, respectively, and (ii) net non-operating expenses of $5 million and $13 million, respectively.

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

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

Material Changes in Financial Condition

Sources and Uses of Cash

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

We had $41 million of cash and cash equivalents at March 31, 2018. In addition to our existing cash and cash equivalents, the primary sources of our pre-hurricane liquidity were cash provided by operations and borrowings available under the Liberty Puerto Rico Bank Facility, as further described in note 6 to our condensed consolidated financial statements. As a result of the hurricane impacts, we do not expect we will generate positive cash from operations, inclusive of capital expenditures, until at least

the latter half of 2018. As of March 31, 2018, we have been able to restore service to approximately 560,000 RGUs of our total estimated 723,100 RGUs. Additionally, we estimate that approximately $130 million of property and equipment additions will be required to restore nearly all of our broadband communications network, of which approximately $112 million has been incurred following the hurricanes through March 31, 2018. In this regard, our current liquidity needs are being funded by an equity commitment through December 31, 2018 of up to $60 million from the Equity Commitment Guarantors to fund any potential liquidity shortfalls. We have received a total of $45 million, $25 million during the first quarter of 2018 and $20 million subsequent to March 31, 2018, in the form of a subordinated related-party loan from Leo Cable, as further described in note 8 to our condensed consolidated financial statements. Our current liquidity needs are also being funded by an insurance advance of $35 million ($30 million through a third-party insurance provider and the remainder through the Captive). Future liquidity sources are expected to include further insurance proceeds, the remaining $15 million of the equity commitment from the Equity Commitment Guarantors, as applicable, and cash from operations. While there are still uncertainties with respect to our recovery from the hurricanes, and no assurance can be given as to the ultimate amount or timing of liquidity to be received from cash from operations or insurance proceeds, we expect our existing and potential sources of liquidity will be sufficient to satisfy our liquidity requirements over the next twelve months.

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

Capitalization

During the fourth quarter of 2017, we were provided relief from complying with leverage covenants through December 31, 2018. At March 31, 2018, the outstanding principal amount of our third-party debt aggregated $983 million, of which $40 million is due in 2020 and $943 million is due in 2022 or thereafter. For additional information concerning our debt maturities, see note 6 to our condensed consolidated financial statements.

Our ability to access debt financing on favorable terms will be compromised for the foreseeable future as we work through our recovery from the hurricanes and the related impacts on our liquidity and ability to comply with the terms of the Liberty Puerto Rico Bank Facility. In addition, sustained or increased competition, particularly in combination with adverse economic or regulatory developments, could have an unfavorable impact on our cash flows and liquidity. For additional information regarding the impacts of the hurricanes, see the related discussion in *Overview* above.

Condensed Consolidated Statements of Cash Flows

Summary. Our condensed consolidated statements of cash flows for the three months ended March 31, 2018 and 2017 are summarized as follows:

	Three months ended March 31,		
	2018	**2017**	**Change**
		in millions	
Net cash provided by operating activities	$ 35.5	$ 32.8	$ 2.7
Net cash used by investing activities	(61.0)	(26.9)	(34.1)
Net cash provided (used) by financing activities	25.0	(38.4)	63.4
Net decrease in cash and cash equivalents	$ (0.5)	$ (32.5)	$ 32.0

Operating Activities. The increase in net cash provided by our operating activities is primarily attributable to the net effect of (i) an increase from working capital items, inclusive of an advance payment of $35 million associated with the initial insurance claims filed in connection with damages sustained from the hurricanes, and (ii) a decrease from our Segment OCF, primarily resulting from the impact of the hurricanes.

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

The capital expenditures that we report in our condensed consolidated statements of cash flows do not include amounts that are financed under capital lease arrangements. Instead, these amounts are reflected as non-cash additions to our property and equipment when the underlying assets are delivered and as repayments of debt when the principal is repaid. In this discussion, we

refer to (i) our capital expenditures as reported in our condensed consolidated statements of cash flows and (ii) our total property and equipment additions, which include our capital expenditures on an accrual basis and amounts financed under capital lease arrangements.

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

	Three months ended March 31,	
	2018	2017
	in millions	
Property and equipment additions	$ 69.8	$ 23.3
Changes in current liabilities related to capital expenditures	(8.8)	3.6
Capital expenditures	$ 61.0	$ 26.9

The increase in property and equipment additions is attributable to the net effect of (i) an increase in expenditures primarily related to $62 million in connection with network restoration activities following the hurricanes, and (ii) a decrease in expenditures for (a) the purchase and installation of customer premises equipment and (b) support capital, such as information technology upgrades and general support systems.

Financing Activities. During the three months ended March 31, 2018, we received $25 million in net cash from financing activities related to the equity commitment from the Equity Commitment Guarantors, as further described in notes 1 and 8 to our condensed consolidated financial statements. During the three months ended March 31, 2017, we used $38 million in net cash from financing activities, which primarily includes distributions to Members, net of $51 million and partial repayments of $12 million on the Cayman Holding Receivable.

Contractual Commitments

The following table sets forth our commitments as of March 31, 2018:

	Payments due during:							
	Remainder of 2018	2019	2020	2021	2022	2023	Thereafter	Total
	in millions							
Debt (excluding interest)	$ —	$ —	$ 40.0	$ —	$ 850.0	$ 92.5	$ —	$ 982.5
Network and connectivity commitments	0.9	1.2	1.2	1.2	1.2	1.2	3.5	10.4
Operating leases	1.2	1.3	1.1	0.9	0.8	0.8	1.1	7.2
Total (a)	$ 2.1	$ 2.5	$ 42.3	$ 2.1	$ 852.0	$ 94.5	$ 4.6	$ 1,000.1
Projected cash interest payments on third-party debt (b)	$ 41.4	$ 55.0	$ 55.0	$ 55.0	$ 9.0	$ 4.1	$ —	$ 219.5

(a) The commitments included in this table do not reflect any liabilities that are included in our March 31, 2018 condensed consolidated balance sheet other than debt.

(b) Amounts are based on interest rates, interest payment dates, commitment fees and contractual maturities in effect as of March 31, 2018. These amounts are presented for illustrative purposes only and will likely differ from the actual cash payments required in future periods. In addition, the amounts presented do not include the impact of our derivative contracts.

For information concerning our debt, see note 6 to our condensed consolidated financial statements. For information concerning our commitments, see note 9 to our condensed consolidated financial statements.

In addition to the commitments set forth in the table above, we have commitments under derivative instruments, pursuant to which we expect to make payments in future periods. For information regarding projected cash flows associated with our derivative instruments, see *Projected Cash Flows Associated with Derivative Instruments* below. For information regarding our derivative instruments, including the net cash paid in connection with these instruments during the three months ended March 31, 2018 and 2017, see note 3 to our condensed consolidated financial statements.

Projected Cash Flows Associated with Derivative Instruments

The following table provides information regarding the projected net cash flows associated with our derivative instruments. The amounts presented below are based on interest rates that were in effect as of March 31, 2018. These amounts are presented for illustrative purposes only and will likely differ from the actual cash payments required in future periods. For additional information regarding our derivative instruments, including our counterparty credit risk, see note 3 to our condensed consolidated financial statements.

	Payments due during:						
	Remainder of 2018	2019	2020	2021	2022	2023 and Thereafter	Total
	in millions						
Interest-related (a)	$ 0.2	$ 0.8	$ 0.9	$ 0.9	$ 0.2	$ —	$ 3.0

(a) Includes interest-related cash flows of our interest rate swap contracts.