LIBERTY CABLEVISION OF PUERTO RICO LLC

Condensed Consolidated Financial Statements
March 31, 2019

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, 2019 and December 31, 2018 (unaudited)	3
Condensed Consolidated Statements of Operations for the Three Months Ended March 31, 2019 and 2018 (unaudited)	4
Condensed Consolidated Statements of Changes in Members' Capital for the Three Months Ended March 31, 2019 and 2018 (unaudited)	5
Condensed Consolidated Statements of Cash Flows for the Three Months Ended March 31, 2019 and 2018 (unaudited)	6
Notes to Condensed Consolidated Financial Statements (unaudited)	7
MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS	19

LIBERTY CABLEVISION OF PUERTO RICO LLC

CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)

	March 31, 2019	December 31, 2018
	in millions	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 55.2	$ 19.8
Trade receivables, each net of an allowance of $10.0 million	21.1	21.7
Prepaid expenses	7.6	7.1
Derivative instruments	0.5	10.5
Insurance settlement receivable	—	26.9
Other current assets	2.9	2.9
Total current assets	87.3	88.9
Property and equipment, net	497.2	494.5
Goodwill	277.7	277.7
Cable television franchise rights	540.0	540.0
Customer relationships, net	63.9	68.5
Other assets, net	3.5	3.9
Total assets	$ 1,469.6	$ 1,473.5
LIABILITIES AND MEMBERS' CAPITAL		
Current liabilities:		
Accounts payable	$ 13.8	$ 14.9
Deferred revenue	11.2	11.1
Accrued capital expenditures	28.1	26.2
Third-party accrued interest	3.2	13.1
Derivative instruments	9.6	—
Related-party accrued liabilities	7.9	6.3
Other accrued and current liabilities	16.5	21.5
Total current liabilities	90.3	93.1
Long-term debt:		
Third-party	934.3	933.7
Related-party	75.9	70.2
Other long-term liabilities	9.0	17.8
Total liabilities	1,109.5	1,114.8
Commitments and contingencies		
Members' capital:		
Members' capital	378.8	377.4
Cayman Holding Receivable	(18.7)	(18.7)
Members' capital after deducting loan receivable from member	360.1	358.7
Total liabilities and members' capital	$ 1,469.6	$ 1,473.5

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,	
	2019	**2018**
	in millions	
Revenue	$ 98.6	$ 61.8
Operating costs and expenses (exclusive of depreciation and amortization, shown separately below):		
Programming and other direct costs of services	22.9	16.5
Other operating	14.3	14.0
Selling, general and administrative (**SG&A**)	14.0	13.6
Related-party fees and allocations	1.3	—
Depreciation and amortization	21.6	18.5
Impairment, restructuring and other operating items, net	—	(1.0)
	74.1	61.6
Operating income	24.5	0.2
Non-operating income (expense):		
Interest expense:		
Third-party	(15.6)	(14.2)
Related-party	(1.9)	(0.4)
Realized and unrealized gains (losses) on interest rate derivative instruments, net	(5.5)	9.1
Other income (expense), net	(0.1)	0.1
	(23.1)	(5.4)
Net earnings (loss)	$ 1.4	$ (5.2)

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

LIBERTY CABLEVISION OF PUERTO RICO LLC

CONDENSED CONSOLIDATED STATEMENTS 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	—	(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
Balance at January 1, 2019	$ 225.0	$ 152.4	$ 377.4	$ (18.7)	$ 358.7
Net earnings	—	1.4	1.4	—	1.4
Priority Return	2.7	(2.7)	—	—	—
Balance at March 31, 2019	$ 227.7	$ 151.1	$ 378.8	$ (18.7)	$ 360.1

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,	
	2019	**2018**
	in millions	
Cash flows from operating activities:		
Net earnings (loss)	$ 1.4	$ (5.2)
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:		
Non-cash share-based compensation expense	—	0.3
Depreciation and amortization	21.6	18.5
Amortization of debt financing costs and discounts	0.6	0.6
Realized and unrealized losses (gains) on interest rate derivative instruments, net	5.5	(9.1)
Changes in other operating assets and liabilities	15.8	30.4
Net cash provided by operating activities	44.9	35.5
Cash flows from investing activities:		
Capital expenditures	(18.0)	(61.0)
Recovery on damaged or destroyed property and equipment	8.5	—
Net cash used by investing activities	(9.5)	(61.0)
Cash flows from financing activities:		
Borrowings of related-party debt	—	25.0
Net cash provided by financing activities	—	25.0
Net increase (decrease) in cash and cash equivalents	35.4	(0.5)
Cash and cash equivalents:		
Beginning of period	19.8	41.0
End of period	$ 55.2	$ 40.5
Cash paid for interest - third-party	$ 24.9	$ 13.0

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 fixed telecommunications 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. Choice Cable TV (**Choice**) is a wholly-owned subsidiary of Liberty Puerto Rico.

Liberty Latin America Ltd. (**Liberty Latin America**) indirectly owns 100% of Liberty Puerto Rico. Prior to October 17, 2018, Liberty Latin America indirectly owned 60% of Liberty Puerto Rico with the remaining 40.0% interest indirectly owned by Searchlight. On October 17, 2018, a subsidiary of Liberty Latin America acquired Searchlight's 40.0% indirect interest in Liberty Puerto Rico.

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.

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 our consolidated financial statements and notes thereto included in our 2018 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 period amounts have been reclassified to conform to the current period 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 17, 2019, the date of issuance.

(2) Accounting Changes and Recent Accounting Pronouncements

Accounting Changes

ASU 2016-02

In February 2016, the Financial Accounting Standards Board (**FASB**) issued Accounting Standards Update (**ASU**) No. 2016-02, *Leases* (**ASU 2016-02**), as amended by ASU No. 2018-11, *Targeted Improvements*, which provides an option to use one of two modified retrospective approaches in the adoption of ASU 2016-02. ASU 2016-02, for most leases, results in lessees recognizing right-of-use assets and lease liabilities on the balance sheet and additional disclosures. We adopted ASU 2016-02 effective January 1, 2019 using the effective date transition method. A number of optional practical expedients were applied in transition, as further described below.

The main impact of the adoption of this standard was the recognition of right-of-use assets and lease liabilities in our consolidated balance sheet as of January 1, 2019 for those leases classified as operating leases under ASU 2016-02. We did not recognize right-of-use assets or lease liabilities for leases with a term of 12 months or less, as permitted by the short-term lease practical expedient in the standard. In transition, we applied the practical expedients that permit us not to reassess (i) whether expired or existing contracts are or contain a lease under the new standard, (ii) the lease classification for expired or existing leases, (iii) whether previously-capitalized initial direct costs would qualify for capitalization under the new standard and (iv) whether existing or expired land easements that were not previously accounted for as leases are or contain a lease. We also applied the practical expedient that permits us to account for customer service revenue contracts that include both non-lease and lease components as a single component in all instances where the non-lease component is the predominant component of the arrangement and the other applicable criteria are met. In addition, we did not use hindsight during the transition.

For information regarding changes to our accounting policies following the adoption of ASU 2016-02, see note 3.

The cumulative effect of the changes made to our condensed consolidated balance sheet as of January 1, 2019 is as follows:

	Balance at December 31, 2018	Cumulative catch up adjustments upon adoption	Balance at January 1, 2019
		in millions	
Assets:			
Other assets, net	$ 3.9	$ 4.7	$ 8.6
Liabilities:			
Other accrued and current liabilities	$ 21.5	$ 0.9	$ 22.4
Other long-term liabilities	$ 17.8	$ 3.9	$ 21.7

ASU 2018-13

In August 2018, the FASB issued ASU No. 2018-13, *Fair Value Measurement (Topic 820): Disclosure Framework—Changes to the Disclosure Requirements for Fair Value Measurement* (**ASU 2018-13**). ASU 2018-13 modifies certain disclosure requirements on fair value measurements, including (i) clarifying narrative disclosure regarding measurement uncertainty from the use of unobservable inputs, if those inputs reasonably could have been different as of the reporting date, (ii) adding certain quantitative disclosures, including the range and weighted average of significant unobservable inputs used to develop Level 3 fair value measurements, and (iii) removing certain fair value measurement disclosure requirements, including (a) the amount of and reasons for transfers between Level 1 and Level 2 of the fair value hierarchy, (b) the policy for timing of transfers between levels of the fair value hierarchy and (c) the valuation processes for Level 3 fair value measurements. The amendments in ASU 2018-13 are effective for annual reporting periods beginning after December 15, 2019. We are permitted to early adopt any removed or modified disclosures and delay adoption of the additional disclosures until their effective date. As of December 31, 2018, we early adopted to remove certain fair value measurement disclosures from our consolidated financial statements as permitted by ASU 2018-13. We do not expect the remaining disclosure requirements of ASU 2018-13 will have a material effect on our consolidated financial statements.

Recent Accounting Pronouncements

ASU 2018-15

In August 2018, the FASB issued ASU No. 2018-15, *Intangibles—Goodwill and Other—Internal-Use Software—Customer's Accounting for Implementation Costs Incurred in a Cloud Computing Arrangement That Is a Service Contract (***ASU 2018-15***).* ASU 2018-15 provides additional guidance on ASU No. 2015-05, *Intangibles—Goodwill and Other—Internal-Use Software—Customer's Accounting for Fees Paid in a Cloud Computing Arrangement,* which was issued to help entities evaluate the accounting for fees paid by a customer in a cloud computing arrangement (hosting arrangement) by providing guidance for determining when the arrangement includes a software license. ASU 2018-15 aligns the requirements for capitalizing implementation costs incurred in a hosting arrangement that is a service contract with the requirements for capitalizing implementation costs incurred to develop or obtain internal-use software (and hosting arrangements that include an internal-use software license). The guidance (i) provides

criteria for determining which implementation costs to capitalize as an asset related to the service contract and which costs to expense, (ii) requires an entity (customer) to expense the capitalized implementation costs of a hosting arrangement that is a service contract over the term of the hosting arrangement and (iii) clarifies the presentation requirements for reporting such costs in the entity's financial statements. ASU 2018-15 is effective for annual reporting periods beginning after December 15, 2020, with early adoption permitted. ASU 2018-15 should be applied either retrospectively or prospectively to all implementation costs incurred after the date of adoption. We expect to apply ASU 2018-15 prospectively, and are currently evaluating the date of adoption, as well as the effect that ASU 2018-15 will have on our consolidated financial statements and related disclosures.

(3) Summary of Changes in Significant Accounting Policies

The following accounting policy reflects an update to the *Summary of Significant Accounting Policies* included in our 2018 annual report resulting from the adoption of ASU 2016-02. For additional information regarding the adoption of ASU 2016-02, see note 2.

Leases

We classify leases with a term of greater than 12 months where substantially all risks and rewards incidental to ownership are retained by the third-party lessors as operating leases. We record a right-of-use asset and an operating lease liability at inception of the lease at the present value of the lease payments plus certain other payments, including variable lease payments and amounts probable of being owed by us under residual value guarantees. Payments made under operating leases, net of any incentives received from the lessors, are recognized to expense on a straight-line basis over the term of the lease. Initial direct costs incurred in negotiating and arranging operating leases are recognized to expense when incurred. Contingent rental payments are recognized to expense when incurred. Our right-of-use assets are included in other assets, net, in our condensed consolidated balance sheet. Our current and non-current operating lease liabilities are included in other accrued and current liabilities and other long-term liabilities, respectively, in our condensed consolidated balance sheet.

Our operating leases primarily consist of lease commitments for (i) retail stores, offices and facilities, (ii) other network assets and (iii) other equipment. It is expected that in the normal course of business, operating leases that expire generally will be renewed or replaced by similar leases.

The following table provides details of our operating lease expense:

	Three months ended March 31,	
	2019	2018 (a)
	in millions	
Operating lease expense:		
Operating lease cost	$ 0.3	$ 0.7
Short-term lease cost	0.1	—
Total operating lease expense	$ 0.4	$ 0.7

(a) Amounts reflect operating lease expense recorded under Accounting Standards Codification (**ASC**) 840, *Leases* (**ASC 840**), prior to adoption of ASU 2016-02 on January 1, 2019. Accordingly, amounts are not necessarily comparable.

The following table provides certain other details of our operating leases at March 31, 2019:

For the three months ended March 31, 2019 (in millions):	
Operating cash flows from operating leases	$ 0.3
Weighted-average remaining lease term (in years)	5.8
Weighted-average discount rate (a)	8.8%

(a) We use a credit-adjusted discount rate to measure our operating lease liabilities. We derive the discount rate starting with a risk free rate, generally the U.S. Treasury Bill rate. To determine credit risk, we create an industry benchmark credit default

swap (**CDS**) curve from an observable high-yield debt index using comparable telecommunication companies as a proxy. We then determine the maximum curve shift against this CDS curve derived from our own tradable debt, and make adjustments to correct for the collateralized interest rate spread by comparing unsecured debt to asset-backed securities (secured debt) trades, which is based on the spread between the BB- and B+ industrial curves. We determine the discount factor from this adjusted curve.

Maturities of Operating Leases

Maturities of our operating lease liabilities on an undiscounted basis (in millions) as of March 31, 2019 are presented below along with the current and noncurrent operating lease liabilities on a discounted basis.

Years ending December 31:	
2019 (remainder of year)	$ 0.9
2020	1.0
2021	0.9
2022	0.9
2023	0.9
2024	0.8
Thereafter	0.3
Total operating lease liabilities on an undiscounted basis	5.7
Amount representing interest	(1.2)
Present value of operating lease liabilities	$ 4.5
Current portion	$ 0.8
Noncurrent portion	$ 3.7

The following table sets forth (in millions) of our operating lease commitments under ASC 840 as of December 31, 2018, which is required pursuant to ASU 2016-02 when using the effective date transition method.

Years ending December 31:	
2019	$ 1.3
2020	1.0
2021	0.9
2022	0.8
2023	0.8
Thereafter	1.1
Total	$ 5.9

(4) Derivative Instruments

In general, we seek to enter into derivative instruments to protect against increases in the interest rates on our variable-rate debt. We do not apply hedge accounting to our derivative instruments. Accordingly, changes in the fair values of our interest rate derivative instruments are recorded in realized and unrealized gains or losses on interest rate 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, 2019			December 31, 2018		
	Current	Long-term (a)	Total	Current	Long-term (a)	Total
	in millions					
Assets (b)	$ 0.5	$ 0.2	$ 0.7	$ 10.5	$ 0.5	$ 11.0
Liabilities (b)	$ 9.6	$ 5.6	$ 15.2	$ —	$ 10.6	$ 10.6

(a) Our long-term derivative assets and long-term derivative liabilities are included in 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, which were not material during each of the three months ended March 31, 2019 and 2018, are included in realized and unrealized gains (losses) on interest rate derivative instruments, net, in our condensed consolidated statements of operations. For further information regarding our fair value measurements, see note 5.

Our net cash inflows (outflows) related to derivative instruments during the three months ended March 31, 2019 and 2018, were $9 million and ($2 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 its 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, 2019, our exposure to counterparty credit risk resulting from our net derivative position was not material.

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 Derivative Contracts

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, 2019, the outstanding notional amount of our interest rate swap contracts was $850 million and the related weighted average remaining contractual life was 2.8 years.

Basis Swaps

Basis swaps involve the exchange of attributes used to calculate our floating interest rates, including (i) the benchmark rate, (ii) the underlying currency and/or (iii) the borrowing period. We typically enter into these swaps to optimize our interest rate

profile based on our current evaluations of yield curves, our risk management policies and other factors. At March 31, 2019, the outstanding notional amount of our basis swap contracts was $943 million and the related weighted average remaining contractual life was 0.8 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 us to benefit from declines in market rates. At March 31, 2019, the total notional amount of our interest rate cap was $93 million and the related weighted average remaining contractual life was 4.3 years.

Impact of Derivative Instruments on Borrowing Costs

The weighted average impact of the derivative instruments on our borrowing costs at March 31, 2019 was an increase of 30 basis points.

(5) Fair Value Measurements

General

We use the fair value method to account for our derivative instruments. The reported fair values of our derivative instruments as of March 31, 2019 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.

Recurring Fair Value Measurements - Derivatives

In order to manage our interest rate risk, we have entered into various derivative instruments, as further described in note 4. 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 derivative contracts are quantified and further explained in note 4.

Nonrecurring Fair Value Measurements - Impairment Assessments

Fair value measurements are also used for purposes of nonrecurring valuations performed in connection with impairment assessments. We did not perform any significant nonrecurring fair value measurements during the three months ended March 31, 2019.

(6) Insurance Recoveries

In September 2017, the island of Puerto Rico was impacted by Hurricanes Maria, and to a lesser extent, Irma (collectively, the **Hurricanes**), resulting in extensive damage to homes, businesses and infrastructure. In December 2018, insurance claims for the Hurricanes were settled.

During the three months ended March 31, 2019, we received the remaining outstanding insurance settlement amount of $27 million, of which $18 million and $9 million have been presented as operating and investing activities, respectively, in our condensed consolidated statement of cash flows.

During the first and third quarters of 2018, we received net advance payments of $35 million ($30 million from a third-party insurance provider and the remainder from a captive insurance subsidiary (the **Captive**) of Cable & Wireless Communications Limited (**C&W**), a subsidiary of Liberty Latin America) and $15 million, respectively, associated with the initial insurance claim filed in connection with the Hurricanes. The net advance received during the first quarter of 2018 was included in operating activities in our condensed consolidated statement of cash flows.

(7) Long-lived Assets

Property and Equipment, Net

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

	March 31, 2019	December 31, 2018
	in millions	
Distribution systems	$ 568.3	$ 555.6
Customer premises equipment	252.4	246.0
Support equipment, buildings and land	71.0	70.4
	891.7	872.0
Accumulated depreciation	(394.5)	(377.5)
Total	$ 497.2	$ 494.5

Customer Relationships, Net

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

	March 31, 2019	December 31, 2018
	in millions	
Gross carrying amount	$ 149.1	$ 149.1
Accumulated amortization	(85.2)	(80.6)
Net carrying amount	$ 63.9	$ 68.5

(8) Debt

Our third-party debt obligations are as follows:

	March 31, 2019		Estimated fair value (c)		Principal amount	
	Weighted average interest rate (a)	Unused borrowing capacity (b)	March 31, 2019	December 31, 2018	March 31, 2019	December 31, 2018
				in millions		
Third-party debt before discounts and deferred financing costs (d)	6.30%	$ 40.0	$ 931.4	$ 905.4	$ 942.5	$ 942.5

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

	March 31, 2019	December 31, 2018
	in millions	
Third-party debt before discounts and deferred financing costs	$ 942.5	$ 942.5
Discounts and deferred financing costs	(8.2)	(8.8)
Total carrying amount of third-party debt	934.3	933.7
Related-party debt (note 10)	75.9	70.2
Total long-term debt	$ 1,010.2	$ 1,003.9

(a) Represents the weighted average interest rate in effect at March 31, 2019 for all borrowings outstanding pursuant to each debt instrument, including any applicable margin. The interest rate presented represents the stated rate and does not include the impact of derivative instruments, deferred financing costs, original issue discounts and commitment fees, all of which affect our overall cost of borrowing. Including the effects of derivative instruments, original issue discounts and commitment fees, but excluding the impact of financing costs, our weighted average interest rate on our third-party indebtedness was 6.3% at March 31, 2019. For information regarding our derivative instruments, see note 4.

(b) Unused borrowing capacity represents the maximum availability under the LPR Revolving Credit Facility at March 31, 2019 without regard to covenant compliance calculations or other conditions precedent to borrowing. At March 31, 2019, the full amount of unused borrowing capacity was available to be borrowed under the LPR Revolving Credit Facility, both before and after completion of the March 31, 2019 compliance reporting requirements.

(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 regarding fair value hierarchies, see note 5.

(d) Represents the LPR Bank Facility, which comprises the LPR Revolving Credit Facility, LPR First Lien Term Loan and the LPR Second Lien Term Loan. Subsequent to March 31, 2019, we repaid $20 million of the principal outstanding under the LPR Second Lien Term Loan.

Maturities of Debt

As of March 31, 2019, $850 million and $93 million of our debt matures in 2022 and 2023, respectively.

(9) 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. The cumulative amount of unpaid Priority Returns as of March 31, 2019 was $7 million.

(10) Related-party Transactions

Our related-party transactions are as follows:

	Three months ended March 31,	
	2019	2018
	in millions	
Revenue	$ 0.6	$ 0.2
Programming and other direct costs of services	(1.3)	(1.2)
SG&A (exclusive of share-based compensation)	(0.4)	(0.2)
Allocated share-based compensation expense	(0.5)	(0.3)
Related-party fees and allocations:		
Operating and SG&A related (exclusive of depreciation and share-based compensation)	(0.6)	—
Share-based compensation	(0.6)	—
Management fee	(0.1)	—
Total fees and allocations	(1.3)	—
Included in operating income	(2.9)	(1.5)
Interest expense	(1.9)	(0.4)
Included in net earnings (loss)	$ (4.8)	$ (1.9)
Capital expenditures	$ 1.8	$ —

General. We consider Liberty Latin America and its other subsidiaries and Liberty Global plc (**Liberty Global**) and its subsidiaries to each be a related party. Beginning in the fourth quarter of 2018, certain Liberty Latin America subsidiaries charge fees and allocate costs and expenses to our company based on actual costs incurred. Although we believe the related-party fees and allocations described below are reasonable, no assurance can be given that the related-party costs and expenses reflected in our condensed consolidated statements of operations are reflective of the costs that we would incur on a standalone basis.

Revenue. These amounts represent services provided to C&W.

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

SG&A. The 2019 amount primarily represents certain technical and information technology services (including software development services associated with customer facing platforms, management information systems, computer, data storage, and network and telecommunications services) provided by Liberty Global. The 2018 amount represents other services provided by 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, in the first quarter of 2018 was reflected as an increase to members' capital in our condensed consolidated statement of changes in members' capital. Beginning in the fourth quarter of 2018, this charge is cash settled and is included in related-party accrued liabilities in our condensed consolidated balance sheets.

Related-party fees and allocations. The amounts represent fees charged to our company by Liberty Latin America or certain other subsidiaries outside our company and are expected to be cash settled. These amounts include charges for management, finance, legal, technology and other corporate and administrative services provided to our company. The categories of our fees and allocations are as follows:

- *Operating and SG&A (exclusive of depreciation and share-based compensation)*. The amount included in this category represents our estimated share of certain centralized technology, management, marketing, finance and other operating and SG&A expenses of Liberty Latin America's operations, whose activities benefit multiple operations, including operations within and outside of our company. The amount allocated represents our estimated share of the actual costs incurred by the operations of Liberty Latin America, without a mark-up. Amounts in this category are generally deducted to arrive at our "EBITDA" metric specified by our debt agreements.

- *Share-based compensation.* The amount represents share-based compensation associated with employees of Liberty Latin America who are not employees of our company. The amount allocated represents our estimated share of the actual costs incurred by the operations of Liberty Latin America, without a mark-up.

- *Management fee.* The amount included in this category represents our estimated allocable share of the mark-up, if any, applicable to each category of the related-party fees and allocations charged to our company.

Interest expense. The amounts relate to the Leo Cable Loan and the Cayman Holding Loan, each as defined and described below.

Capital expenditures. These amounts relate to capital assets acquired from Liberty Global.

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

	March 31, 2019	December 31, 2018
	in millions	
Assets:		
Other assets, net (a)	$ 1.4	$ 1.4
Total assets	$ 1.4	$ 1.4
Liabilities:		
Accounts payable (b)	$ 4.7	$ 4.7
Related-party accrued liabilities (c)	7.9	6.3
Debt:		
Cayman Holding Loan (d)	26.4	25.2
Leo Cable Loan (e)	49.5	45.0
Other long-term liabilities (f)	1.9	5.7
Total liabilities	$ 90.4	$ 86.9

(a) The amounts represent various related-party receivables that are expected to be cash settled.

(b) The amounts represent various non-interest bearing related-party payables that are expected to be cash settled.

(c) The amounts primarily represent related-party liabilities associated with (i) related-party fees and allocations and (ii) allocated share based compensation expense. These liabilities are non-interest bearing and will be cash settled.

(d) On October 31, 2017, we entered into a loan agreement with our parent company, LCPR Cayman Holding Inc. (**Cayman Holding**), (the **Cayman Holding Loan**), which is subordinate in right of payment to the LPR 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, 2019 relates to a non-cash transfer of accrued interest.

(e) On February 26, 2018, we entered into a $25 million loan agreement with Leo Cable L.P. (**Leo Cable**) (the **Leo Cable Loan**), which is subordinate in right of payment to the LPR 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. During the second quarter of 2018, we received an additional $20 million from Leo Cable that was added to the principal balance of the Leo Cable Loan. The increase in the Leo Cable Loan balance during the three months ended March 31, 2019 relates to a non-cash transfer of accrued interest.

(f) The amounts represent accrued and unpaid interest on the Leo Cable Loan and 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 2019, there have been no principal or interest payments on the Cayman Holding Receivable.

(11) Commitments and Contingencies

Commitments

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 $22 million and $14 million during the three months ended March 31, 2019 and 2018, respectively.

We also 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, 2019 and 2018, see note 4.

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 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 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.

(12) Revenue by Product

Our revenue by major category is set forth in the table below.

	Three months ended March 31,	
	2019	2018
	in millions	
Residential fixed revenue:		
Subscription revenue (a):		
Video	$ 35.0	$ 23.3
Broadband internet	41.8	25.3
Fixed-line telephony	5.7	3.5
Total subscription revenue	82.5	52.1
Non-subscription revenue (b)	5.3	2.4
Total residential fixed revenue	87.8	54.5
Business-to-business (**B2B**) service revenue (c)	10.8	7.3
Total	$ 98.6	$ 61.8

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

(b) Residential fixed non-subscription revenue primarily includes late fees and advertising revenue.

(c) B2B service revenue primarily includes broadband internet, video and fixed-line telephony services offered to small (including small or home office), medium and large enterprises and, on a wholesale basis, to other telecommunication operators.

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 2018 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, 2019 and 2018.
- *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. To the extent that statements in this quarterly report are not recitations of historical fact, such statements constitute forward-looking statements, which, by definition, involve risks and uncertainties that could cause actual results to differ materially from those expressed or implied by such statements. In particular, statements under *Management's Discussion and Analysis of Financial Condition and Results of Operations* may contain forward-looking statements, including statements regarding: our business, product, and finance strategies in 2019; subscriber growth and retention rates; changes in competitive, regulatory and economic factors, including inflationary factors; anticipated changes in our revenue, expenses or growth rates; debt levels; our liquidity; credit risks; compliance with debt, financial and other covenants; our future projected contractual commitments and cash flows; and other information and statements that are not historical fact. Where, in any forward-looking statement, we express an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved or accomplished. In evaluating these statements, you should consider the 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 viewing preferences and habits, including on mobile devices that function on various operating systems and specifications, limited bandwidth, and different processing power and screen sizes;
- 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;
- the impact of 5G and wireless technologies on broadband internet;

- 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, including the costs and benefits associated with our network extension and upgrade programs;
- the availability of capital for the acquisition and/or development of telecommunications networks and services, including property and equipment additions;
- problems we may discover post-closing with the operations, including the internal controls and financial reporting process, of businesses we acquire;
- cybersecurity threats or other security breaches, including the leakage of sensitive customer data, which could harm our business or reputation;
- the loss of key employees and the availability of qualified personnel;
- changes in the nature of key strategic relationships with partners;
- changes in and compliance with applicable data privacy laws, rules, and regulations;
- our ability to recoup insurance reimbursements and settlements from third-party providers; 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 fixed telecommunications services to residential and business customers in Puerto Rico. As further described in note 1 to our condensed consolidated financial statements, we are an indirect wholly-owned subsidiary of Liberty Latin America.

Operations

At March 31, 2019, we owned and operated fixed networks that passed 1,093,800 homes and served 760,300 revenue generating units (**RGUs**), comprising 335,500 broadband internet subscribers, 221,100 video subscribers and 203,700 fixed-line telephony subscribers.

Material Changes in Results of Operations

General

As we use the term, "**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, (iii) other acquisition-related items, such as gains and losses on the settlement of contingent consideration, and (iv) certain related-party insurance losses and recoveries.

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

Revenue

We derive our revenue primarily from (i) residential fixed services, including video, broadband internet and telephony, and (ii) B2B 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 average monthly subscription revenue per average fixed RGU (**ARPU**).

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 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 fixed 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. The Hurricanes in 2017 significantly impacted variances in our revenue for the comparative period, as further described below.

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, 2019, December 31, 2018 and March 31, 2018 is set forth below:

	Three months ended		
	March 31, 2019	December 31, 2018	March 31, 2018
		in millions	
Residential fixed revenue:			
Subscription revenue:			
Video	$ 35.0	$ 33.6	$ 23.3
Broadband internet	41.8	38.8	25.3
Fixed-line telephony	5.7	5.4	3.5
Total subscription revenue	82.5	77.8	52.1
Non-subscription revenue	5.3	5.5	2.4
Total residential fixed revenue	87.8	83.3	54.5
B2B service revenue	10.8	10.6	7.3
Total	$ 98.6	$ 93.9	$ 61.8

The increase in revenue during the three months ended March 31, 2019, as compared to the corresponding period in 2018, is primarily attributable to recovery following the Hurricanes.

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 and (iii) B2B service revenue, each reflective of changes during the the three months ended March 31, 2019, as compared to the three months ended December 31, 2018 (in millions).

Increase in residential fixed subscription revenue due to change in:	
Average number of RGUs (a)	$ 3.3
ARPU (b)	1.4
Decrease in residential fixed non-subscription revenue	(0.2)
Total increase in residential fixed revenue	4.5
Increase in B2B service revenue	0.2
Total	$ 4.7

(a) The increase is primarily attributable to increases in broadband internet and video RGUs.

(b) The increase is primarily attributable to higher ARPU from broadband internet and video services.

Programming and other direct costs of services

Programming and other direct costs of services include programming and copyright costs and other direct costs related to our operations. Programming and copyright costs, which represent a significant portion of our operating costs, may increase 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 or (iii) growth in the number of our enhanced video subscribers.

Our programming and other direct costs of services increased $6 million or 38.8% during the the three months ended March 31, 2019 as compared to the corresponding period in 2018. This increase is primarily due to an increase in programming and copyright costs of $8 million or 54.2%, mostly attributable to $7 million of credits received during the first quarter of 2018 from programming vendors resulting from the Hurricanes.

Other operating expenses

Other operating expenses include (i) network operations, (ii) customer operations, which includes personnel costs and call center costs, (iii) bad debt and collection expenses, and (iv) other costs related to our operations.

Our other operating expenses slightly increased during the three months ended March 31, 2019, as compared to the corresponding period in 2018, mainly due to higher indirect expenses of approximately $2 million, primarily related to network utility costs and franchise fees that increased as a result of recovery from the Hurricanes. This increase was partially offset by a $1 million decline in costs associated with overtime-related personnel activities that were incurred as a result of the hurricane recovery efforts.

SG&A expenses

SG&A expenses include human resources, information technology, general services, management, finance, legal, 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, 2019, as compared to the corresponding period in 2018.

Related-party fees and allocations

We recorded related-party fees and allocations of $1 million during 2019. This amount represents fees charged to our company that originate with Liberty Latin America or certain other subsidiaries outside our company and include charges for management, finance, legal, technology and other corporate and administrative services provided to our subsidiaries.

For additional information regarding our related-party fees and allocations, see note 10 to our consolidated financial statements.

Depreciation and amortization expense

Our depreciation and amortization expense increased $3 million or 16.8% during the the three months ended March 31, 2019, as compared to the corresponding period in 2018. This increase is primarily associated with property and equipment additions, largely related to network restoration activities following the Hurricanes.

Interest expense – third-party

Our third-party interest expense increased $1 million or 9.9% during the three months ended March 31, 2019, as compared to the corresponding period in 2018, primarily due to a higher weighted average interest rate, partially offset by a lower average outstanding debt balance.

For additional information regarding our outstanding third-party indebtedness, see note 8 to our condensed consolidated financial statements.

Interest expense – related-party

Our related-party interest expense increased $2 million during the three months ended March 31, 2019, as compared to the corresponding period in 2018, primarily due to the Leo Cable Loan. For additional information regarding our outstanding related-party indebtedness, see note 10 to our condensed consolidated financial statements.

Realized and unrealized gains (losses) on interest rate derivative instruments, net

Our realized and unrealized gains (losses) on derivative instruments, net, were ($6 million) and $9 million during the the three months ended March 31, 2019 and 2018, respectively, due to changes in market interest rates in the U.S. dollar market.

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

Other income (expense), net

Our other income (expense), net, was not material during the three months ended March 31, 2019 and 2018.

Net earnings (loss)

The following table sets forth selected summary financial information of our net earnings (loss):

	Three months ended March 31,	
	2019	2018
	in millions	
Operating income	$ 24.5	$ 0.2
Net non-operating expenses	$ (23.1)	$ (5.4)
Net earnings (loss)	$ 1.4	$ (5.2)

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 do 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 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 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.

Material Changes in Financial Condition

Sources and Uses of Cash

We had $55 million of cash and cash equivalents at March 31, 2019. In addition to cash and cash equivalents, the primary sources of our liquidity are cash provided by operations, borrowing availability under the LPR Revolving Credit Facility and insurance proceeds, as discussed in note 6 to our condensed consolidated financial statements. From time to time, our Members 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, (iii) distributions or loans to our Members and (iv) satisfaction of contingencies. No assurance can be given that any external funding would be available to us on favorable terms, or at all.

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

From time to time, we may, to the extent permitted under applicable law, acquire or repay any third-party or related-party debt through open market purchases, privately negotiated transactions, tender offers, exchange offers, redemptions or otherwise, upon such terms and at such prices as we may determine (or as may be provided for in our respective indenture agreements).

Capitalization

For the quarter ended March 31, 2019, (i) our consolidated first lien net leverage ratio was 4.4x and (ii) our consolidated total net leverage ratio was 4.9x, each as specified in, and calculated in accordance with, the LPR Bank Facility.

Our ability to service or refinance our debt and to maintain compliance with the leverage covenants in the LPR Bank Facility is dependent primarily on our ability to maintain OCF 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 agreements. In this regard, if our OCF were to decline, our ability to obtain additional debt could be limited. No assurance can be given that we would have sufficient sources of liquidity, or that any extra funding would be available on favorable terms, or at all, to fund any such required repayment. At March 31, 2019, we were in compliance with our debt covenants. We do not anticipate any instances of non-compliance with respect to our debt covenants that would have a material adverse impact on our liquidity during the next 12 months.

At March 31, 2019, the outstanding principal amount of our third-party debt aggregated $943 million, of which $850 million is due in 2022 and $93 million is due in 2023. For additional information concerning our debt maturities, see note 8 to our condensed consolidated financial statements.

Notwithstanding our negative working capital position at March 31, 2019, we believe that we have sufficient resources to fund our foreseeable liquidity requirements during the next 12 months. We may seek to refinance the LPR Bank Facility prior to its January 2022 maturity, and no assurance can be given that we will be able to complete this refinancing. In this regard, it is difficult to predict how political and economic conditions, sovereign debt concerns or any adverse regulatory developments will impact the credit markets we access and our future financial position. Our ability to access debt financing on favorable terms, or at all, could be adversely impacted by (i) the financial failure of any of our counterparties, which could (a) reduce amounts available under the LPR Bank Facility and (b) adversely impact our ability to access cash deposited with any failed financial institution, and (ii) tightening of the credit markets. In addition, sustained or increased competition, particularly in combination with adverse economic or regulatory developments, could have an unfavorable impact on our cash flows and liquidity.

Condensed Consolidated Statements of Cash Flows

Summary. Our condensed consolidated statements of cash flows for the three months ended March 31, 2019 and 2018 are summarized as follows:

	Three months ended March 31,		
	2019	2018	Change
		in millions	
Net cash provided by operating activities	$ 44.9	$ 35.5	$ 9.4
Net cash used by investing activities	(9.5)	(61.0)	51.5
Net cash provided by financing activities	—	25.0	(25.0)
Net increase (decrease) in cash and cash equivalents	$ 35.4	$ (0.5)	$ 35.9

Operating Activities. The increase in net cash provided by our operating activities is primarily attributable to the net effect of (i) an increase from our OCF and related working capital items, including changes resulting from insurance receipts as discussed below, (ii) higher cash payments for interest and (iii) an increase in cash related to derivative instruments, as we received $9 million during the 2019 period and made net payments of $2 million during the 2018 period. During the first quarter of 2019, $18 million of the cash received associated with the final insurance settlement for the Hurricanes was reflected as an operating cash inflow. During the first quarter of 2018, we received $35 million ($30 million from a third-party insurance provider and the remainder from the Captive) of net advance payments associated with the then outstanding insurance settlement claims resulting from the Hurricanes.

Investing Activities. The decrease in net cash used by our investing activities is attributable to (i) lower capital expenditures and (ii) $9 million of cash received during the first quarter of 2019 related to the recovery on damaged or destroyed property and equipment resulting from the Hurricanes. For additional information regarding the settlement of our insurance claims associated with the Hurricanes, see note 6 to our condensed consolidated financial statements.

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 the following 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,	
	2019	2018
	in millions	
Property and equipment additions	$ 19.8	$ 69.8
Changes in current liabilities related to capital expenditures	(1.8)	(8.8)
Capital expenditures	$ 18.0	$ 61.0

The decrease in our property and equipment additions during the three months ended March 31, 2019, as compared to the corresponding period in 2018, is primarily due to the net effect of (i) a decrease of $62 million for network restoration activities following the Hurricanes during the corresponding 2018 period, (ii) excluding the impact of hurricane restoration activities, an increase in the expansion and upgrade of our networks and other capital initiatives, (iii) an increase in additions for baseline-related assets, and (iv) an increase related to customer premises equipment. During the three months ended March 31, 2019 and 2018, our property and equipment additions represented 20.1% and 112.9% of revenue, respectively. Our property and equipment additions as a percentage of revenue decreased primarily due to a decline in property and equipment additions together with an increase in revenue following the recovery from the Hurricanes.

Financing Activities. During the three months ended March 31, 2018, we received $25 million in net cash from financing activities related to the Leo Cable Loan further described in note 10 to our condensed consolidated financial statements.

Contractual Commitments

The following table sets forth our third-party commitments as of March 31, 2019:

	Payments due during:							
	Remainder of 2019	2020	2021	2022	2023	2024	Thereafter	Total
	in millions							
Third-party debt (excluding interest)	$ —	$ —	$ —	$ 850.0	$ 92.5	$ —	$ —	$ 942.5
Operating leases	0.9	1.0	0.9	0.9	0.9	0.8	0.3	5.7
Total	$ 0.9	$ 1.0	$ 0.9	$ 850.9	$ 93.4	$ 0.8	$ 0.3	$ 948.2
Projected cash interest payments on third-party debt (a)	$ 44.7	$ 59.6	$ 59.6	$ 12.8	$ 5.0	$ —	$ —	$ 181.7

(a) Amounts are based on interest rates, interest payment dates, commitment fees and contractual maturities in effect as of March 31, 2019. These amounts are presented for illustrative purposes only and will likely differ from the actual cash payments required in future periods. In addition, the amounts presented do not include the impact of our derivative contracts.

For information concerning our debt, see note 8 to our condensed consolidated financial statements. For information concerning our operating leases, see note 3 to our condensed consolidated financial statements. For information concerning our commitments, see note 11 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 or received in connection with these instruments during the three months ended March 31, 2019 and 2018, see note 4 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, 2019. 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 4 to our condensed consolidated financial statements.

	Payments (receipts) due during:					
	Remainder of 2019	2020	2021	2022	2023 and Thereafter	Total
	in millions					
Interest-related (a)	$ (0.5)	$ 8.0	$ (0.5)	$ (0.1)	$ —	$ 6.9

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