LIBERTY CABLEVISION OF PUERTO RICO LLC

Condensed Consolidated Financial Statements
September 30, 2017

LIBERTY CABLEVISION OF PUERTO RICO LLC

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LIBERTY CABLEVISION OF PUERTO RICO LLC

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LIBERTY CABLEVISION OF PUERTO RICO LLC
CONDENSED CONSOLIDATED BALANCE SHEETS
(unaudited)

	September 30, 2017	December 31, 2016
	in millions	
ASSETS		
Current assets:		
Cash and cash equivalents	$ 46.0	$ 78.5
Trade receivables and unbilled revenue, net	10.4	16.4
Prepaid expenses	12.5	5.1
Other current assets	2.3	2.9
Total current assets	71.2	102.9
Property and equipment, net (note 5)	363.7	391.4
Goodwill	277.7	277.7
Cable television franchise rights (note 5)	540.0	584.1
Customer relationships, net (note 5)	91.3	102.4
Other assets, net (notes 3 and 8)	3.9	8.0
Total assets	$ 1,347.8	$ 1,466.5
LIABILITIES AND MEMBERS' CAPITAL		
Current liabilities:		
Accounts payable (note 8)	$ 16.2	$ 17.9
Accrued capital expenditures	16.2	19.7
Deferred revenue and advance payments from subscribers	9.0	12.3
Accrued interest	9.3	10.6
Derivative instruments (note 3)	5.8	8.9
Current portion of debt and capital lease obligations (note 6)	—	0.2
Other current liabilities	19.0	22.2
Total current liabilities	75.5	91.8
Long-term debt and capital lease obligations (note 6)	930.6	927.2
Other long-term liabilities (note 3)	9.1	10.2
Total liabilities	1,015.2	1,029.2
Commitments and contingencies (notes 3, 6 and 9)		
Members' capital:		
Members' capital (notes 7 and 8)	388.3	505.3
Cayman Holding Loan Receivable (notes 7 and 8)	(55.7)	(68.0)
Members' capital after deducting loan receivable from member	332.6	437.3
Total liabilities and members' capital	$ 1,347.8	$ 1,466.5

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 September 30,		Nine months ended September 30,	
	2017	**2016**	**2017**	**2016**
	in millions			
Revenue (note 10)	$ 88.6	$ 104.8	$ 303.6	$ 315.6
Operating costs and expenses (exclusive of depreciation and amortization, shown separately below):				
Programming and other direct costs of services (note 8)	21.7	27.5	76.3	86.1
Other operating	15.1	15.1	45.4	45.4
Selling, general and administrative (**SG&A**) (note 8)	12.4	7.0	38.4	33.4
Depreciation and amortization	21.3	20.9	62.6	62.8
Impairment, restructuring and other operating items, net (note 5)	86.1	0.1	86.1	1.2
	156.6	70.6	308.8	228.9
Operating income (loss)	(68.0)	34.2	(5.2)	86.7
Non-operating income (expense):				
Interest expense:				
Third-party	(12.2)	(12.9)	(37.0)	(38.6)
Related-party (note 8)	—	—	—	(0.6)
Realized and unrealized gains (losses) on interest rate derivative instruments, net (note 3)	—	4.3	(6.8)	(23.9)
Other expense, net	—	(0.1)	(2.6)	(0.1)
	(12.2)	(8.7)	(46.4)	(63.2)
Net earnings (loss)	$ (80.2)	$ 25.5	$ (51.6)	$ 23.5

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 Loan Receivable	Members' capital after deducting loan receivable from member
			in millions		
Balance at January 1, 2017	$ 236.4	$ 268.9	$ 505.3	$ (68.0)	$ 437.3
Net loss	—	(51.6)	(51.6)	—	(51.6)
Priority Return (note 7)	9.2	(9.2)	—	—	—
Distributions to members (note 7)	(34.2)	(37.2)	(71.4)	—	(71.4)
Payments received on the Cayman Holding Loan Receivable (note 7)	—	—	—	12.3	12.3
Contribution from member (note 7)	—	6.3	6.3	—	6.3
Capital charge in connection with exercise or release of share-based incentive awards	—	(0.9)	(0.9)	—	(0.9)
Share-based compensation (note 8)	—	0.6	0.6	—	0.6
Balance at September 30, 2017	$ 211.4	$ 176.9	$ 388.3	$ (55.7)	$ 332.6

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)

	Nine months ended September 30,	
	2017	**2016**
	in millions	
Cash flows from operating activities:		
Net earnings (loss)	$ (51.6)	$ 23.5
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:		
Share-based compensation expense	1.2	2.2
Depreciation and amortization	62.6	62.8
Impairment, restructuring and other operating items, net	86.1	1.2
Amortization of deferred financing costs and non-cash interest	1.9	1.8
Realized and unrealized losses on derivative instruments, net	6.8	23.9
Loss on debt modification and extinguishment	2.8	—
Changes in operating assets and liabilities	(18.1)	(13.4)
Net cash provided by operating activities	91.7	102.0
Cash flows from investing activities:		
Capital expenditures	(69.9)	(69.5)
Net cash used by investing activities	(69.9)	(69.5)
Cash flows from financing activities:		
Distributions to members, net	(65.1)	(33.5)
Payments received on the Cayman Holding Loan Receivable	12.3	—
Payment of financing costs	(1.3)	—
Repayments of third-party debt and capital lease obligations	(0.2)	(0.3)
Repayment of the Shareholder Loan	—	(13.3)
Other financing activities	—	(0.5)
Net cash used by financing activities	(54.3)	(47.6)
Net decrease in cash	(32.5)	(15.1)
Cash:		
Beginning of period	78.5	65.7
End of period	$ 46.0	$ 50.6
Cash paid for interest — third-party	$ 36.4	$ 36.6
Cash paid for interest — related-party	$ —	$ 3.5
Cash paid for taxes (note 8)	$ —	$ 1.4

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 with PPR Media LLC (**PPR Media**) to purchase Puerto Rico Cable Acquisition Company Inc., doing business as Choice Cable TV (**Choice**), a then subsidiary of PPR Media. Through a series of related-party transactions, 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 Global plc (**Liberty Global**), an international provider of video, broadband internet, fixed-line telephony, mobile and other communications 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.

We and certain other subsidiaries of Liberty Global comprise the "**LiLAC Group**" within the organization structure of Liberty Global. The primary Liberty Global subsidiaries that comprise the LiLAC Group include (i) LGE Coral Holdco and its subsidiaries, including Cable & Wireless Communications Limited (**C&W**), (ii) VTR Finance B.V. (**VTR Finance**) and its subsidiaries, including VTR.com SpA, (iii) Lila Chile Holding B.V., which is the parent entity of VTR Finance, and (iv) LiLAC Communications and its subsidiaries.

Liquidity and Going Concern

In September 2017, the island of Puerto Rico was significantly impacted by Hurricanes Maria and, to a lesser extent, Irma, resulting in extensive damage to homes, businesses and infrastructure, including damage to Puerto Rico's power supply and transmission system. Similarly, our broadband communications network suffered extensive damage. As a result, we are currently providing services to approximately 25% of our customers, and we estimate that more than $100 million of property and equipment additions would be required to restore 100% of our broadband communications network. The cash provided by our operations was a significant source of pre-hurricane liquidity, and it is unclear when we will again be able to generate positive cash from our operating activities in light of the hurricane impacts. In this regard, we anticipate that our immediate liquidity needs will be funded by available cash on hand. Cash available to us includes $40.0 million that was drawn under the Liberty Puerto Rico Bank Facility (as defined in note 6) subsequent to September 30, 2017. No further amounts are available to be borrowed under the Liberty Puerto Rico Bank Facility. Future liquidity sources, besides cash on hand and any cash from operations, may also include proceeds from insurance and funds from our equity holders, including LiLAC Communications and Searchlight. No assurance can be given as to the amount of liquidity to be received from these sources or whether these sources will provide funding sufficient to satisfy our liquidity requirements over the next 12 months. As further described in note 6, our operations support the debt outstanding under the Liberty Puerto Rico Bank Facility. Although we expect to fully comply with the terms of the Liberty Puerto Rico Bank Facility as of September 30, 2017, our ability to comply with its leverage covenants in future periods is expected to be adversely impacted by the aftermath of the hurricanes. If we are unable to meet the leverage covenants of the Liberty Puerto Rico Bank Facility in any particular quarter and we are unable to cure such shortfall or are not otherwise able to obtain relief from the lenders, we would be in default under the Liberty Puerto Rico Bank Facility. Any failure to remain in compliance with the terms of the Liberty Puerto Rico Bank Facility could have a material adverse impact on our business, liquidity and results of operations. Given that our assessment of the ultimate impacts of the hurricanes on our business is in the early stages and ongoing, we have not concluded on a course of action in the event we are unable to obtain sufficient funding. As such, we have concluded there is a substantial doubt about our ability to continue as a going concern 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 2016 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 costs, loss contingencies, fair value measurements, impairment assessments, capitalization of internal costs associated with construction and installation activities, useful lives of long-lived assets and share-based compensation. Actual results could differ from those estimates.

Certain prior period amounts have been reclassified to conform to the current period presentation, including the reclassification of certain costs between programming and other direct costs of services, other operating and SG&A expenses.

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 November 29, 2017, the date of issuance.

(2) Accounting Change and Recent Accounting Pronouncements

Accounting Change

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

Recent Accounting Pronouncements

ASU 2014-09

In May 2014, the FASB issued ASU No. 2014-09, *Revenue from Contracts with Customers* (**ASU 2014-09**), which requires an entity to recognize the amount of revenue to which it expects to be entitled for the transfer of promised goods or services to customers. ASU 2014-09, as amended by ASU No. 2015-14, will replace existing revenue recognition guidance when it becomes effective for annual reporting periods beginning after December 15, 2018. This new standard permits the use of either the retrospective or cumulative effect transition method. We will adopt ASU 2014-09 effective January 1, 2018 using the cumulative effect transition method. While we are continuing to evaluate the effect that ASU 2014-09 will have on our consolidated financial statements, we have identified a number of our current revenue recognition policies that will be impacted by ASU 2014-09, including the accounting for (i) time-limited discounts provided to our customers and (ii) certain upfront fees charged to our customers. Although we continue to evaluate the impacts of adopting ASU 2014-09, our current views are as follows:

- When we enter into contracts to provide services to our customers, we often provide time-limited discounts. Under current accounting standards, we recognize revenue net of discounts during the promotional periods. Under ASU 2014-09, revenue recognition for those contracts that contain substantive termination penalties will be accelerated, as the impact of the discounts will be recognized uniformly over the contractual period. For contracts that do not have substantive termination penalties, we will continue to record the impacts of partial discounts during the applicable promotional periods.

- When we enter into contracts to provide services to our customers, we often charge installation or other upfront fees. Under current accounting standards, installation fees related to services provided over our cable networks are recognized as revenue during the period in which the installation occurs to the extent these fees are equal to or less than direct selling

costs. Under ASU 2014-09, these fees will generally be deferred and recognized as revenue over the contractual period, or longer if the upfront fee results in a material renewal right.

As the above revenue recognition changes have offsetting impacts and both result in a relatively minor shift in the timing of revenue recognition, we currently do not expect ASU 2014-09 to have a material impact on our reported revenue.

ASU 2014-09 will also impact our accounting for certain upfront costs directly associated with obtaining and fulfilling customer contracts. Under our current policy, these costs are expensed as incurred unless the costs are in the scope of another accounting topic that allows for capitalization. Under ASU 2014-09, the upfront costs associated with contracts that have substantive termination penalties and a term of one year or more will be recognized as assets and amortized to other operating expenses over the applicable period benefited. Although the impact of the accounting change for the upfront costs will be dependent on numerous factors, including the number and terms of new subscriber contracts added during any given period, we do not expect the initial or ongoing impact of this accounting change to be material based on our assessments of the current practices and contracts in effect in our market.

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 also 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. We currently do not expect ASU 2016-02 to 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 related to our variable-rate debt. We do not apply hedge accounting to our derivative instruments. Accordingly, changes in the fair values of our interest rate derivative instruments are recorded in realized and unrealized gains or losses on derivative instruments, net, in our condensed consolidated statements of operations.

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

	September 30, 2017			December 31, 2016		
	Current	Long-term (a)	Total	Current	Long-term (a)	Total
	in millions					
Assets:						
Interest rate derivative contracts (b)....	$ —	$ 0.6	$ 0.6	$ —	$ 4.8	$ 4.8
Liabilities:						
Interest rate derivative contracts (b)....	$ 5.8	$ 7.3	$ 13.1	$ 8.9	$ 8.4	$ 17.3

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(a) Our long-term derivative assets and 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 counterparties' nonperformance in the fair value assessment of our derivative instruments. In all cases, the adjustments take into account offsetting liability or asset positions. The changes in the credit risk valuation adjustments associated with our interest rate derivative contracts resulted in a net loss of nil and $0.3 million

during the three months ended September 30, 2017 and 2016, respectively, and net gains of $0.3 million and $1.4 million during the nine months ended September 30, 2017 and 2016, respectively. These amounts are included in realized and unrealized gains (losses) on derivative instruments, net, in our condensed consolidated statements of operations. For further information regarding our fair value measurements, see note 4.

The net cash received or paid related to our derivative instruments is classified as an operating, investing or financing activity in our condensed consolidated statements of cash flows based on the objective of the derivative instrument and the classification of the applicable underlying cash flows. During the nine months ended September 30, 2017 and 2016, we made net cash payments of $6.8 million and $3.7 million, respectively, related to our derivative instruments, which are included in operating activities in our condensed consolidated statements of cash flows.

Counterparty Credit Risk

We are exposed to the risk that the counterparties to our derivative instruments will default on their obligations to us. We manage this credit risk through the evaluation and monitoring of the creditworthiness of our counterparties. Collateral is generally not posted by either party under our derivative instruments. At September 30, 2017, all of our derivative contracts are subject to agreements with a single counterparty. These agreements contain master netting arrangements that are applicable in the event of early termination by either party to such derivative instruments. At September 30, 2017, we have no material expected credit risk resulting from our net derivative positions.

Details of our Derivative Instruments

Interest Rate Derivative Contracts

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 September 30, 2017, the notional amounts due from the counterparties were $675.0 million and the related weighted average remaining contractual life of our interest rate swap contracts was 3.5 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 September 30, 2017, the total notional amount of our interest rate caps was $436.3 million.

Impact of Derivative Instruments on Borrowing Costs

The impact of the derivative instruments that mitigate our interest rate risk, as described above, was an increase of 75 basis points to our borrowing costs as of September 30, 2017.

(4) Fair Value Measurements

We use the fair value method to account for our derivative instruments. The reported fair values of these derivative instruments as of September 30, 2017 likely will not represent the value that will be paid or received upon the ultimate settlement or disposition of these assets and liabilities. With respect to our derivative instruments, 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 incorporate a credit risk valuation adjustment in our fair value measurements to estimate the impact of both our own nonperformance risk and the nonperformance risk of our counterparties. Effective January 1, 2017, we incorporated a Monte Carlo based approach into our calculation of the value assigned to the risk that we or our counterparty will default on our respective derivative obligations. Previously, we used a static calculation derived from our most current mark-to-market valuation to calculate the impact of counterparty credit risk. The adoption of a Monte Carlo based approach did not have a material impact on the overall fair value of our derivative instruments. Our credit risk valuation adjustments with respect to our interest rate swaps are quantified and further explained in note 3.

In September 2017, the island of Puerto Rico was impacted by Hurricanes Maria and, to a lesser extent, Irma, resulting in extensive damage to homes, businesses and infrastructure. The effects of the hurricanes were deemed to constitute triggering events with respect to the need to assess certain assets for impairment. Nonrecurring valuations were performed in connection with these impairment assessments, most notably to measure the fair value of our company for purposes of assessing goodwill impairments, and to measure the fair value of our cable television franchise rights. The nonrecurring valuations for impairment assessments used significant unobservable inputs and therefore fall under Level 3 of the fair value hierarchy. We used a discount rate of 8% in the valuation of our company, while a discount rate of 9% was used in the valuation of our cable television franchise rights. The valuations of our company used projected cash flows that reflected the significant risks and uncertainties associated with our recovery from Hurricanes Irma and Maria, including variables such as (i) the length of time it will take to restore the power and transmission systems, (ii) the number of people that will leave the island for an extended period or permanently and the associated impact on customer churn and (iii) the amount of potential insurance recoveries. For additional information regarding the impairment charges related to the hurricanes, see note 5.

For additional information regarding our fair value measurements, see note 6 to the consolidated financial statements included in our 2016 annual report.

(5) Long-lived Assets

Impairment Charges Associated with Hurricanes

In September 2017, our operations were severely impacted by Hurricanes Maria and, to a lesser extent, Irma. Based on our initial estimates of the impacts on our operations from these hurricanes, we recorded impairment charges to reduce the carrying values of our property and equipment and cable television franchise rights during the third quarter of 2017, as set forth in the table below (in millions). These impairment charges are based on our assessments of currently available information and, accordingly, it is possible that further impairment charges will be required as additional information becomes available regarding the impacts of the hurricanes on our networks and the macro-economic, competitive and demographic trends within Puerto Rico. In addition, as a result of the hurricanes, enterprise level goodwill of $120.9 million allocated to Liberty Puerto Rico was fully impaired during the third quarter of 2017. The enterprise goodwill was recorded at an entity outside of Liberty Puerto Rico, and accordingly, the impairment does not impact the Liberty Puerto Rico condensed consolidated financial statements.

Property and equipment (a)	$ 42.0
Cable television franchise rights (b)	44.1
Total	$ 86.1

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

(b) We concluded that an impairment charge was necessary to reduce the carrying value of our cable television franchise rights to their estimated fair value at September 30, 2017.

For additional information regarding the impacts of the hurricanes and the fair value methods and related assumptions used in our impairment assessments, see note 4. For information regarding the impact of the hurricanes on our debt, see note 6.

Property and Equipment, Net

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

	September 30, 2017	December 31, 2016
	in millions	
Distribution systems	$ 603.2	$ 626.7
Support equipment, buildings and land	60.4	56.1
	663.6	682.8
Accumulated depreciation	(299.9)	(291.4)
Total property and equipment, net	$ 363.7	$ 391.4

Customer Relationships, Net

The details of our customer relationships are set forth below:

	September 30, 2017	December 31, 2016
	in millions	
Gross carrying amount	$ 149.1	$ 149.1
Accumulated amortization	(57.8)	(46.7)
Total customer relationships, net	$ 91.3	$ 102.4

Goodwill

Based on the results of our most recent goodwill impairment tests, as further described above and in note 4, declines in the fair value of Liberty Puerto Rico resulted in goodwill impairment charges during the third quarter of 2017. These charges represented the full impairment of enterprise level goodwill allocated to Liberty Puerto Rico that was maintained at an entity outside of our borrowing group. If among other factors, the adverse impacts of economic, competitive, regulatory or other factors were to cause our results of operations or cash flows to be worse than anticipated, we could conclude in future periods that additional impairment charges are required in order to reduce the carrying values of the goodwill, cable television franchise rights and, to a lesser extent, other long-lived assets. Additionally, as discussed above, further impairment charges could be recorded as more information becomes available regarding the impacts of Hurricanes Irma and Maria. Any such impairment charges could be significant.

(6) Debt and Capital Lease Obligations

Our debt obligations are as follows:

	September 30, 2017		Estimated fair value (c)		Principal amount	
	Weighted average interest rate (a)	Unused borrowing capacity (b)	September 30, 2017	December 31, 2016	September 30, 2017	December 31, 2016
			in millions			
Total debt before discounts and deferred financing costs (d)	5.12%	$ 40.0	$ 904.7	$ 935.2	$ 942.5	$ 942.5

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

	September 30, 2017	December 31, 2016
	in millions	
Total debt before discounts and deferred financing costs	$ 942.5	$ 942.5
Discounts and deferred financing costs	(11.9)	(15.3)
Total carrying amount of debt	930.6	927.2
Capital lease obligations	—	0.2
Total debt and capital lease obligations	930.6	927.4
Current maturities of debt and capital lease obligations	—	(0.2)
Long-term debt and capital lease obligations	$ 930.6	$ 927.2

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(a) Represents the weighted average interest rate in effect at September 30, 2017 for all borrowings outstanding pursuant to each debt instrument, including any applicable margin. The interest rate presented represents the stated rate and does not include the impact of derivative instruments, deferred financing costs, original issue premiums or discounts and commitment fees, all of which affect our overall cost of borrowing. Including the effects of derivative instruments, original issue discounts and commitment fees, but excluding the impact of financing costs, our weighted average interest rate on our aggregate indebtedness was 5.89% at September 30, 2017. For information regarding our derivative instruments, see note 3.

(b) Unused borrowing capacity represents the maximum availability under the LPR Revolving Loan, for which no amounts were outstanding at September 30, 2017, without regard to covenant compliance calculations or other conditions precedent to borrowing. At September 30, 2017, based on the applicable leverage-based restricted payment tests and leverage covenants, the full $40.0 million of unused borrowing capacity was available to be borrowed. Subsequent to September 30, 2017, we borrowed in full the $40.0 million revolving credit facility available under the LPR Revolving Loan. As a result, no further amounts are available to be borrowed under the LPR Revolving Loan.

(c) The estimated fair values of our debt instruments were determined using the average of applicable bid and ask prices (mostly Level 1 of the fair value hierarchy). For additional information concerning fair value hierarchies, see note 4.

(d) Represents the Liberty Puerto Rico Bank Facility, which consists of (i) LPR Term Loan B, (ii) LPR Term Loan C and (iii) the LPR Revolving Loan. In April 2017, we entered into a term loan agreement to borrow an additional $85.0 million under the existing $765.0 million LPR Term Loan B. The additional $85.0 million under LPR Term Loan B has the same maturity date, interest rate and LIBOR floor as the existing LPR Term Loan B. The additional borrowings under LPR Term Loan B were directly used to prepay $85.0 million of the $177.5 million outstanding principal amount under LPR Term Loan C. Accordingly, these transactions represent non-cash financing transactions. In connection with these transactions, we

recognized a loss on debt modification and extinguishment of $2.8 million related to the write-off of unamortized discounts and deferred financing costs.

(e) As discussed in note 4, Hurricanes Maria and, to a lesser extent, Irma resulted in extensive damage to the homes, businesses and infrastructure of Puerto Rico. Our operations support the debt outstanding under the Liberty Puerto Rico Bank Facility, whose terms with which we expect to fully comply as of September 30, 2017. Accordingly, we continue to classify this debt as a long-term obligation in our September 30, 2017 condensed consolidated balance sheet. However, we expect that our ability to comply with the leverage covenants under the Liberty Puerto Rico Bank Facility in future periods will be impacted by the challenging circumstances we are experiencing as a result of the damage caused by the hurricanes, where approximately 25% of our customers currently are receiving service. In this regard, we expect that our results for the fourth quarter of 2017 will fall short of what is required to meet the December 31, 2017 leverage covenants under the Liberty Puerto Rico Bank Facility. Further shortfalls are possible during 2018. Under the Liberty Puerto Rico Bank Facility, we have the ability to cure the financial covenants up to five times during the term of the Liberty Puerto Rico Bank Facility, with no more than two cures to be exercised during any period of four consecutive quarters. The financial covenants can be cured with either equity contributions or subordinated loans in an amount up to, but not exceeding, the amount required to comply with the applicable covenant. We also have the ability under the Liberty Puerto Rico Bank Facility to adjust for, among other items, certain impacts of one-off events such as the hurricanes and certain expected and actual insurance proceeds. If we are unable to meet our leverage covenants in any particular quarter and we are unable to cure such shortfall or are not otherwise able to obtain relief from the lenders, we would be in default under the Liberty Puerto Rico Bank Facility. Although we intend to cure any covenant shortfalls to the extent permitted by the Liberty Puerto Rico Bank Facility and to work with our lenders to avoid a default, we have not yet concluded on a course of action given that our assessment of the ultimate impacts of the hurricanes on our business is in the early stages and ongoing. Any failure to remain in compliance with the terms of the Liberty Puerto Rico Bank Facility could have a material adverse impact on our business, liquidity and results of operations.

Maturities of Debt

As of September 30, 2017, $850.0 million of our debt matures in 2022 and $92.5 million matures in 2023.

(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) first, to the Class A Preferred Member, the amount of the aggregate accrued and unpaid Priority Return (as defined in the LLC Agreement), (ii) second, 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) third, to the Members in respect of their units on a pro rata basis, subject to certain limitations, and (iv) fourth, 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 statement 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) first, 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) second, 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.

In accordance with the LLC Agreement, Priority Returns have been accrued and recorded quarterly as increases to the Class A Preferred Member capital and decreases to the Class B Common Member capital since November 8, 2012. Accrued Priority Returns will be reflected as a liability when and if declared. During the nine months ended September 30, 2017, we declared and paid distributions consisting of (i) $34.2 million to our Class A Preferred Member and (ii) $18.6 million to our Class B Common Member. In addition, our Class B Common Member repaid $12.3 million of the outstanding principal balance on the Cayman Holding Loan Receivable, as defined and described in note 8, and made a $6.3 million contribution representing interest on the Cayman Holding Loan Receivable. We then distributed $18.6 million back to our Class B Common Member. In accordance with

the terms of the LLC Agreement, we have reflected these payments as distributions to members in our condensed consolidated statements of cash flows and changes in members' capital.

(8) Related-party Transactions

Programming and other direct costs of services. We recognized $1.5 million and $0.5 million during the three months ended September 30, 2017 and 2016, respectively, and $3.0 million and $0.8 million during the nine months ended September 30, 2017 and 2016, respectively, for certain other direct costs of services provided by another subsidiary of Liberty Global.

Allocated share-based compensation expense. We recognized share-based compensation of $0.2 million and nil during the three months ended September 30, 2017 and 2016, respectively, and $0.6 million and $0.1 million during the nine months ended September 30, 2017 and 2016, respectively, that Liberty Global 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.

Interest expense. Prior to December 31, 2016, we had a loan agreement with LiLAC Communications (the **Shareholder Loan**), which was repaid in April 2016. During the nine months ended September 30, 2016, we recognized related-party interest expense on the Shareholder Loan of $0.6 million. On April 29, 2016, we cash settled the outstanding principal and accrued and unpaid interest on the Shareholder Loan that totaled $18.2 million through (i) a payment of principal and interest of $13.3 million and $3.5 million, respectively, to LiLAC Communications and (ii) a payment of $1.4 million to the Puerto Rico tax authorities representing withholding taxes for accrued interest on the Shareholder Loan.

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

	September 30, 2017	December 31, 2016
	in millions	
Other assets, net (a)	$ 1.4	$ 1.2
Accounts payable (b)	$ 4.3	$ 2.0

(a) Represents various non-interest bearing related-party receivables.

(b) Represents various non-interest bearing related-party payables.

In June 2015, Cayman Holding issued a related-party loan receivable to us in connection with the acquisition of Choice (the **Cayman Holding Loan Receivable**). The Cayman Holding Loan Receivable bears interest at 5.45% and has a maturity date of June 10, 2025. We do not accrue interest income on the Cayman Holding Loan 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 Loan Receivable. During 2017, we received interest payments on the Cayman Holding Loan Receivable by our Class B Common Member that have been reflected as a capital contribution in our condensed consolidated statement of members' capital. For additional information regarding payments received on the Cayman Holding Loan Receivable, see note 7.

(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 non-cancellable operating leases and network and connectivity commitments. As of September 30, 2017, such commitments are as follows:

	Payments due during:							
	Remainder of 2017	2018	2019	2020	2021	2022	Thereafter	Total
	in millions							
Operating leases	$ 1.0	$ 1.4	$ 1.2	$ 1.1	$ 0.9	$ 0.8	$ 2.0	$ 8.4
Network and connectivity commitments (a)	0.3	1.2	1.2	1.2	1.2	1.2	2.2	8.5
Total (b)	$ 1.3	$ 2.6	$ 2.4	$ 2.3	$ 2.1	$ 2.0	$ 4.2	$ 16.9

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

(b) The commitments included in this table do not reflect any liabilities that are included in our September 30, 2017 condensed consolidated balance sheet.

In addition to the commitments set forth in the table above, we have certain commitments under agreements with programming vendors 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 $67.0 million and $76.0 million during the nine months ended September 30, 2017 and 2016, respectively.

In addition to the commitments set forth in the table above, we have significant commitments under derivative instruments pursuant to which we expect to make payments in future periods. For information regarding our derivative instruments, see note 3.

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

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. 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.

(10) Segment Reporting

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

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

	Three months ended September 30,		Nine months ended September 30,	
	2017	2016	2017	2016
	in millions			
Residential cable revenue (a):				
Subscription revenue (b):				
Video	$ 34.3	$ 42.8	$ 119.7	$ 130.6
Broadband internet	33.4	37.7	115.3	112.9
Fixed-line telephony	4.8	6.3	17.5	19.3
Total subscription revenue	72.5	86.8	252.5	262.8
Non-subscription revenue	4.2	5.3	16.1	16.5
Total residential cable revenue	76.7	92.1	268.6	279.3
Business-to-business (**B2B**) revenue (c):				
Subscription revenue	6.7	7.2	20.2	21.5
Non-subscription revenue	3.6	3.4	10.7	9.4
Total B2B revenue	10.3	10.6	30.9	30.9
Other revenue (d)	1.6	2.1	4.1	5.4
Total	$ 88.6	$ 104.8	$ 303.6	$ 315.6

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

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

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

(d) Other revenue primarily includes franchise fees.

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis, which should be read in conjunction with our condensed consolidated financial statements and the discussion and analysis included in our 2016 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 of the factors that could cause actual results or events to differ materially from anticipated results or events.

- *Overview.* This section provides a general description of our business and recent events.

- *Material Changes in Results of Operations.* This section provides an analysis of our results of operations for the three and nine months ended September 30, 2017 and 2016.

- *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 the economic environment in Puerto Rico, our business, product, finance strategies, our property and equipment additions, subscriber growth and retention rates, competitive, regulatory and economic factors, the timing and impacts of proposed transactions, the anticipated impacts of new legislation (or changes to existing rules and regulations), anticipated changes in our revenue, costs or growth rates, our liquidity, credit risks, target leverage level, our future projected contractual commitments and cash flows and other information and statements that are not historical fact. Where, in any forward-looking statement, we express an expectation or belief as to future results or events, such expectation or belief is expressed in good faith and believed to have a reasonable basis, but there can be no assurance that the expectation or belief will result or be achieved or accomplished. In evaluating these statements, you should consider the following list of some but not all of the factors that could cause actual results or events to differ materially from anticipated results or events:

- economic and business conditions and industry trends in Puerto Rico, including any adverse impacts that may arise as a result of the high level of Puerto Rico's sovereign debt;

- 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 cable television, broadband internet, fixed-line telephony and business service offerings, and of new technology, programming alternatives and other products and services that we may offer in the future;

- our ability to manage rapid technological changes;

- our ability to maintain or increase the number of subscriptions to our cable television, broadband internet and fixed-line telephony offerings and our average revenue per household;

- our ability to provide satisfactory customer service, including support for new and evolving products and services;
- our ability to maintain or increase rates to our subscribers or to pass through increased costs to our subscribers;
- the impact of our future financial performance, or market conditions generally, on the availability, terms and deployment of capital;
- changes in, or failure or inability to comply with, government regulations in Puerto Rico and adverse outcomes from regulatory proceedings;
- government intervention that requires opening our 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 may 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;
- the availability of capital for the acquisition and/or development of telecommunications networks and services;
- certain factors outside of our control that may impact the timing and extent of the restoration of our networks and services following Hurricanes Irma and Maria, as further discussed under *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, natural disasters, pandemics and other similar events.

The broadband distribution services industries are changing rapidly and, therefore, the forward-looking statements of expectations, plans and intent in this 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 Global, an international provider of video, broadband internet, fixed-line telephony, mobile and other communications services.

Impacts of Hurricanes

In September 2017, the island of Puerto Rico was impacted by Hurricanes Maria and, to a lesser extent, Irma, resulting in extensive damage to homes, businesses and infrastructure. Below we have included the net impact of the hurricanes on our revenue and Segment OCF, as defined in *Material Changes in Results of Operations*, during the three months ended September 30, 2017. Our assessment of the losses attributable to the hurricanes is the early stages and ongoing, and as discussed and quantified below, we expect to incur additional costs and losses during the fourth quarter of 2017 and beyond as we restore the damaged networks and reconnect customers. We are uncertain as to the timing and extent of our restoration and reconnection efforts.

The damage caused by Hurricanes Maria and, to a lesser extent, Irma was extensive and widespread. Individuals and businesses across Puerto Rico are dealing 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. We are currently providing services to approximately 25% of our customers, and we estimate that more than $100 million of property and equipment additions would be required to restore 100% of our broadband communications network.

Hurricanes Maria and Irma also caused significant damage in certain markets within C&W (collectively with Liberty Puerto Rico, the **Impacted Markets**). During 2017, a subsidiary of C&W implemented an integrated group property and business interruption insurance program covering all markets in the LiLAC Group, including Liberty Puerto Rico. The program provides coverage to the markets in the LiLAC Group up to a limit of $75 million per occurrence, which is generally subject to self-insurance of $15 million per occurrence of self-insurance, of which up to $3 million is generally the responsibility of the Impacted Markets, including Liberty Puerto Rico. Although Liberty Global is in the early stages of assessing the losses against this 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. We have not recognized any potential insurance proceeds related to the hurricane losses, and we do not currently expect to receive any significant reimbursement in 2017.

During the three months ended September 30, 2017, the effects of the hurricanes negatively impacted our revenue and Segment OCF by an estimated $19 million and $15 million, respectively. We currently estimate that the effects of the hurricanes (before considering any insurance recoveries) will negatively impact our revenue by between $80 million to $100 million and Segment OCF by between $60 million to $80 million during the fourth quarter of 2017 and will result in negative total Segment OCF for that quarter. Although these negative impacts will decline as the network is restored and customers are reconnected, we expect that the adverse impacts of the hurricanes on our revenue and Segment OCF may continue through 2018 and beyond. Our estimates of the cost to restore our network and the impacts on our revenue and Segment OCF are preliminary and subject to change based in part on the following uncertainties:

- the length of time that it will take to restore Puerto Rico's power and transmission system;
- 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, and it is unclear when we will again be able to generate positive cash from our operating activities in light of the hurricane impacts. In this regard, we anticipate that our immediate liquidity needs will be funded by available cash on hand. Cash available to us includes $40.0 million that was drawn under the Liberty Puerto Rico Bank Facility subsequent to September 30, 2017. No further amounts are available to be borrowed under the Liberty Puerto Rico Bank Facility. Future liquidity sources besides cash on hand and any cash from operations may also include proceeds from insurance and funds from our equity holders, including LiLAC Communications

and Searchlight. No assurance can be given as to the amount of liquidity to be received from these sources or whether these sources will provide funding sufficient to satisfy our liquidity requirements over the next 12 months.

For information regarding impairment charges that have been recorded as a result of Hurricanes Irma and Maria, see notes 4 and 5 to our condensed consolidated financial statements. For information regarding the impacts of Hurricanes Irma and Maria on our outstanding debt, see note 6 to our condensed consolidated financial statements. 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 September 30, 2017. Accordingly, the homes passed and subscriber numbers in the following paragraph include such amounts as of August 31, 2017.

At August 31, 2017, we owned and operated a network that passed 1,106,900 homes and served 803,500 revenue generating units (**RGU**s), consisting of 337,800 broadband internet subscribers, 255,000 video subscribers and 210,700 fixed-line telephony subscribers. A high percentage of the RGUs relate to households and businesses to which we have not yet restored service.

Other External Factors

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

Material Changes in Results of Operations

Discussion and Analysis

General

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

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

Revenue

Variances in the subscription revenue that we receive from our customers are a function of (i) changes in the number of RGUs outstanding during the period and (ii) changes in average monthly subscription revenue per average RGU (**ARPU**). Changes in ARPU can be attributable to (a) changes in prices, (b) changes in bundling or promotional discounts, (c) changes in the tier of services selected, (d) variances in subscriber usage patterns and (e) the overall mix of 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.

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

	Three months ended September 30,		Increase (decrease)	
	2017	2016	$	%
		in millions		
Residential cable revenue (a):				
Subscription revenue (b):				
Video	$ 34.3	$ 42.8	$ (8.5)	(19.9)
Broadband internet	33.4	37.7	(4.3)	(11.4)
Fixed-line telephony	4.8	6.3	(1.5)	(23.8)
Total subscription revenue	72.5	86.8	(14.3)	(16.5)
Non-subscription revenue	4.2	5.3	(1.1)	(20.8)
Total residential cable revenue	76.7	92.1	(15.4)	(16.7)
B2B revenue (c):				
Subscription revenue	6.7	7.2	(0.5)	(6.9)
Non-subscription revenue	3.6	3.4	0.2	5.9
Total B2B revenue	10.3	10.6	(0.3)	(2.8)
Other revenue (d)	1.6	2.1	(0.5)	(23.8)
Total	$ 88.6	$ 104.8	$ (16.2)	(15.5)

	Nine months ended September 30,		Increase (decrease)	
	2017	2016	$	%
		in millions		
Residential cable revenue (a):				
Subscription revenue (b):				
Video	$ 119.7	$ 130.6	$ (10.9)	(8.3)
Broadband internet	115.3	112.9	2.4	2.1
Fixed-line telephony	17.5	19.3	(1.8)	(9.3)
Total subscription revenue	252.5	262.8	(10.3)	(3.9)
Non-subscription revenue	16.1	16.5	(0.4)	(2.4)
Total residential cable revenue	268.6	279.3	(10.7)	(3.8)
B2B revenue (c):				
Subscription revenue	20.2	21.5	(1.3)	(6.0)
Non-subscription revenue	10.7	9.4	1.3	13.8
Total B2B revenue	30.9	30.9	—	—
Other revenue (d)	4.1	5.4	(1.3)	(24.1)
Total	$ 303.6	$ 315.6	$ (12.0)	(3.8)

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

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

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

(d) Other revenue primarily includes franchise fees.

The details of the decreases in our revenue during the three and nine months ended September 30, 2017, as compared to the corresponding periods in 2016, are set forth below:

	Three-month period			Nine-month period		
	Subscription revenue	Non-subscription revenue	Total	Subscription revenue	Non-subscription revenue	Total
	in millions					
Increase in residential cable subscription revenue due to change in:						
Average number of RGUs (a)	$ 1.6	$ —	$ 1.6	$ 6.1	$ —	$ 6.1
ARPU (b)	0.9	—	0.9	0.4	—	0.4
Increase in residential cable non-subscription revenue	—	0.4	0.4	—	1.1	1.1
Impact of hurricanes on residential cable revenue (c)	(16.8)	(1.5)	(18.3)	(16.8)	(1.5)	(18.3)
Total decrease in residential cable revenue	(14.3)	(1.1)	(15.4)	(10.3)	(0.4)	(10.7)
Increase (decrease) in B2B revenue	(0.5)	0.8	0.3	(1.3)	1.8	0.5
Decrease in other revenue	—	(0.3)	(0.3)	—	(1.0)	(1.0)
Impact of hurricanes on B2B and other revenue (c)	—	(0.8)	(0.8)	—	(0.8)	(0.8)
Total	$ (14.8)	$ (1.4)	$ (16.2)	$ (11.6)	$ (0.4)	$ (12.0)

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(a) The increases in residential cable subscription revenue related to changes in the average number of RGUs are primarily attributable to increases in the average number of broadband internet RGUs that were only partially offset by declines in the average number of video RGUs.

(b) The increases in residential cable subscription revenue related to changes in ARPU are attributable to the net effect of (i) net increases due to (a) higher ARPU from broadband internet services and (b) lower ARPU from fixed-line telephony and video services and (ii) adverse changes in RGU mix.

(c) Amounts represent customer credits recorded through September 30, 2017 associated with service interruptions resulting from the hurricanes. For additional information, see *Overview* above.

Programming and other direct costs of services

Programming and other direct costs of services include programming and copyright and other direct costs to our operations. Notwithstanding the impacts of the hurricanes, programming and copyright costs, which represent a significant portion of our operating costs, are subject to 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 and (iii) growth in the number of our enhanced video subscribers.

Our programming and other direct costs of services decreased $5.8 million or 21.1% and $9.8 million or 11.4% during the three and nine months ended September 30, 2017, respectively, as compared to the corresponding periods in 2016, primarily due to lower programming and copyright costs related to (i) a decrease of $4.1 million during the third quarter of 2017 due to service interruptions stemming from the impacts of the hurricanes and (ii) decreases in premium content costs.

Other operating expenses

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

Our other operating expenses remained unchanged during the three and nine months ended September 30, 2017, as compared to the corresponding periods in 2016.

SG&A expenses

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

Our SG&A expenses increased $5.4 million or 77.1% and $5.0 million or 15.0% during the three and nine months ended September 30, 2017, respectively, as compared to the corresponding periods in 2016. Excluding the effects of share-based compensation, which decreased $0.7 million and $1.0 million, respectively, SG&A expenses increased $6.1 million and $6.0 million, respectively. These increases include the following factors:

- Increases in outsourced labor and professional fees of $5.8 million or 113.5% and $5.5 million or 178.0%, respectively, primarily due to an increase of $5.1 million resulting from the reversal during the third quarter of 2016 of a previously-recorded provision and related indemnification asset relating to the resolution of certain legal claims in connection with an acquisition during 2012;

- Increases in personnel costs of $0.9 million or 18.1% and $1.8 million or 11.3%, respectively, primarily due to (i) annual wage increases and (ii) higher incentive compensation costs; and

- Decreases resulting from individually insignificant changes in other SG&A expense categories.

Depreciation and amortization expense

Our depreciation and amortization expense increased (decreased) $0.4 million or 1.9% and ($0.2 million) or (0.3%) during the three and nine months ended September 30, 2017, respectively, as compared to the corresponding periods in 2016. These changes are attributable to the net effect of (i) decreases associated with certain assets becoming fully depreciated and (ii) increases associated with property and equipment additions related to the expansion and upgrade of our network, the installation of customer premises equipment and other capital initiatives.

Impairment, restructuring and other operating items, net

We recognized impairment, restructuring and other operating items, net, of $86.1 million during each of the three and nine months ended September 30, 2017, and $0.1 million and $1.2 million during the three and nine months ended September 30, 2016, respectively. The 2017 amounts are attributable to impairment charges recorded during the third quarter related to the reduction of the carrying values of our property and equipment and other indefinite-lived intangible assets due to the impacts of Hurricanes Irma and Maria. The 2016 amounts are primarily attributable to employee severance and termination costs associated with certain reorganization and integration activities. For information regarding the impairment charges related to Hurricanes Irma and Maria,

see notes 4 and 5 to our condensed consolidated financial statements. For additional information regarding the impacts of Hurricanes Irma and Maria, see *Overview* above.

If among other factors, the adverse impacts of economic, competitive, regulatory or other factors were to cause our results of operations or cash flows to be worse than anticipated, we could conclude in future periods that additional impairment charges are required in order to reduce the carrying values of the goodwill, cable television franchise rights and, to a lesser extent, other long-lived assets. Additionally, as discussed in note 5 to our condensed consolidated financial statements, further impairment charges could be recorded as more information becomes available regarding the impacts of Hurricanes Irma and Maria. Any such impairment charges could be significant.

Interest expense – third-party

Our third-party interest expense remained relatively unchanged during the three and nine months ended September 30, 2017, as compared to the corresponding periods in 2016.

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 decreased nil and $0.6 million during the three and nine months ended September 30, 2017, respectively, as compared to the corresponding periods in 2016. The decrease during the nine-month comparison is due to the settlement of the Shareholder Loan in April 2016.

Other expense, net

We recognized other expense, net, of nil and $0.1 million during the three months ended September 30, 2017 and 2016, respectively, and $2.6 million and $0.1 million during the nine months ended September 30, 2017 and 2016, respectively. The expense for the nine months ended September 30, 2017 is primarily attributable to a loss on debt extinguishment and modification related to the write-off of unamortized discount and deferred financing costs.

For additional information regarding our loss on debt modification and extinguishment, see note 6 to our condensed consolidated financial statements.

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

Our realized and unrealized gains or losses on derivative instruments include unrealized changes in the fair values of our derivative instruments that are non-cash in nature until such time as the derivative contracts are fully or partially settled.

Our realized and unrealized gains (losses) on derivative instruments, net, were nil and $4.3 million during the three months ended September 30, 2017 and 2016, respectively, and ($6.8 million) and ($23.9 million) during the nine months ended September 30, 2017 and 2016, respectively. The loss during the nine months ended September 30, 2017 is primarily due to increases in market interest rates in the U.S. dollar market. In addition, this loss includes a net gain of $0.3 million resulting from changes in our credit risk valuation adjustments. The gain during the three months ended September 30, 2016 is primarily due to increases in market interest rates in the U.S. dollar market. The loss during the nine months ended September 30, 2016 is primarily due to decreases in market interest rates in the U.S. dollar market. In addition, these gains (losses) include net gains (losses) of ($0.3 million) and $1.4 million during the three and nine months ended September 30, 2016, respectively, resulting from changes in our credit risk valuation adjustments.

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 September 30, 2017 and 2016, we reported net earnings (loss) of ($80.2 million) and $25.5 million, respectively, including (i) operating income (loss) of ($68.0 million) and $34.2 million, respectively, and (ii) net non-operating expenses of $12.2 million and $8.7 million, respectively.

During the nine months ended September 30, 2017 and 2016, we reported net earnings (loss) of ($51.6 million) and $23.5 million, respectively, including (i) operating income (loss) of ($5.2 million) and $86.7 million, respectively, and (ii) net non-operating expense of $46.4 million and $63.2 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 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 from operations 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 net non-operating expenses.

Subject to the limitations included in our various debt instruments, we expect that Liberty Global 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 under *"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 contingencies.

We had $46.0 million of cash and cash equivalents at September 30, 2017. In addition to our existing cash and cash equivalents, the primary sources of our pre-hurricane liquidity was cash provided by operations and borrowings that were available under the Liberty Puerto Rico Bank Facility, as further described in note 6 to our condensed consolidated financial statements. Cash available to us includes $40.0 million that was drawn under the Liberty Puerto Rico Bank Facility subsequent to September 30, 2017. No further amounts are available to be borrowed under the Liberty Puerto Rico Bank Facility. As a result of the impacts of Hurricanes Maria and, to a lesser extent, Irma, it is unclear when we will again be able to generate positive cash from our operating activities, as we are currently providing services to approximately 25% of our customers. Additionally, we estimate that more than $100 million of property and equipment additions would be required to restore 100% of our broadband communications network. Future liquidity sources besides cash on hand and cash from operations, if any, may also include proceeds from insurance and funds from our equity holders, including the LiLAC Communications and Searchlight. No assurance can be given as to the amount of liquidity to be received from these sources or whether these sources will provide funding sufficient to satisfy our liquidity requirements over the next 12 months. As such, we have concluded there is a substantial doubt about our ability to continue as a going concern over the next twelve months.

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

Capitalization

For the quarter ended September 30, 2017, (i) our consolidated first lien net leverage ratio was 4.24x and (ii) our consolidated total net leverage ratio was 4.73x, each as specified in, and calculated in accordance with, the Liberty Puerto Rico Bank Facility.

At September 30, 2017, the outstanding principal amount of our debt, together with our capital lease obligations, aggregated $942.5 million, all of which is due in 2022 or thereafter. For additional information concerning our debt, 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. For additional information, see the related discussion under *Overview* above and in note 6 to our condensed consolidated financial statements. 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 nine months ended September 30, 2017 and 2016 are summarized as follows:

	Nine months ended September 30,		
	2017	2016	Change
		in millions	
Net cash provided by operating activities	$ 91.7	$ 102.0	$ (10.3)
Net cash used by investing activities	(69.9)	(69.5)	(0.4)
Net cash used by financing activities	(54.3)	(47.6)	(6.7)
Net decrease in cash and cash equivalents	$ (32.5)	$ (15.1)	$ (17.4)

Operating Activities. The decrease in cash provided by our operating activities is primarily due to the net effect of (i) a decrease in cash provided by our Segment OCF and related working capital items and (ii) an increase in cash provided primarily due to lower cash payments for related-party interest.

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

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.

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:

	Nine months ended September 30,	
	2017	2016
	in millions	
Property and equipment additions	$ 65.6	$ 65.1
Changes in current liabilities related to capital expenditures	4.3	4.4
Capital expenditures	$ 69.9	$ 69.5

The increase in property and equipment additions is attributable to the net effect of (i) an increase in expenditures related to (a) support capital, including information technology upgrades and general support systems and (b) new build and upgrade projects and (ii) a decrease in expenditures related to the purchase and installation of customer premises equipment.

Financing Activities. The increase in cash used by our financing activities primarily relates to the net effect of (i) distributions to our members, (ii) the repayment of the Shareholder Loan and (iii) a partial repayment on the Cayman Holding Loan Receivable.

Contractual Commitments

The following table sets forth our commitments as of September 30, 2017:

	Payments due during:							
	Remainder of 2017	2018	2019	2020	2021	2022	Thereafter	Total
	in millions							
Debt (excluding interest)	$ —	$ —	$ —	$ —	$ —	$ 850.0	$ 92.5	$ 942.5
Operating leases	1.0	1.4	1.2	1.1	0.9	0.8	2.0	8.4
Network and connectivity commitments	0.3	1.2	1.2	1.2	1.2	1.2	2.2	8.5
Total (a)	$ 1.3	$ 2.6	$ 2.4	$ 2.3	$ 2.1	$ 852.0	$ 96.7	$ 959.4
Projected cash interest payments on third-party debt (b)	$ 12.5	$ 48.9	$ 49.0	$ 49.1	$ 48.9	$ 22.1	$ 10.0	$ 240.5

(a) The commitments included in this table do not reflect any liabilities that are included in our September 30, 2017 condensed consolidated balance sheet other than debt and capital lease obligations.

(b) Amounts are based on interest rates, interest payment dates, commitment fees and contractual maturities in effect as of September 30, 2017. These amounts are presented for illustrative purposes only and will likely differ from the actual cash payments required in future periods. In addition, the amounts presented do not include the impact of our interest rate derivative contracts, deferred financing costs or original issue discounts.

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 significant 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 nine months ended September 30, 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 September 30, 2017. These amounts are presented for illustrative purposes only and will likely differ from the actual cash payments required in future periods. For additional information regarding our derivative instruments, including our counterparty credit risk, see note 3 to our condensed consolidated financial statements.

	Payments (receipts) due during:							
	Remainder of 2017	2018	2019	2020	2021	2022	Thereafter	Total
	in millions							
Interest-related (a)	$ 1.8	$ 7.2	$ 5.0	$ 5.9	$ 5.3	$ 0.9	$ (0.2)	$ 25.9

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