

LCPR Senior Secured Financing Designated Activity Company

Financial Statements

For the period from September 20, 2019 (date of inception) to December 31, 2020

LCPR SENIOR SECURED FINANCING DESIGNATED ACTIVITY COMPANY
FINANCIAL STATEMENTS
DECEMBER 31, 2020
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KPMG LLP
Suite 800
1225 17th Street
Denver, CO 80202-5598

Independent Auditors' Report

The Shareholder and Board of Directors
LCPR Senior Secured Financing Designated Activity Company:

We have audited the accompanying financial statements of LCPR Senior Secured Financing Designated Activity Company, which comprise the balance sheets as of December 31, 2020 and 2019, and the related statements of operations, changes in equity, and cash flows for the year ended December 31, 2020 and for the period from September 20, 2019 (date of inception) to December 31, 2019, and the related notes to the financial statements.

Management's Responsibility for the Financial Statements

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

Auditors' Responsibility

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

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

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

Opinion

In our opinion, the financial statements referred to above present fairly, in all material respects, the financial position of LCPR Senior Secured Financing Designated Activity Company as of December 31, 2020 and 2019, and the results of its operations and its cash flows for the year ended December 31, 2020 and for the period from September 20, 2019 (date of inception) to December 31, 2019 in accordance with U.S. generally accepted accounting principles.

KPMG LLP

Denver, Colorado
February 25, 2021

LCPR SENIOR SECURED FINANCING DESIGNATED ACTIVITY COMPANY
BALANCE SHEETS

	December 31,	
	2020	2019
	in millions	
ASSETS		
Current assets:		
Current receivable – related party.....	\$ 6.7	\$ 16.6
Interest receivable on Proceeds Loan – related party.....	14.7	
Restricted cash.....	—	1,203.2
Total current assets.....	21.4	1,219.8
AT&T Mobility Proceeds Loan – related party.....	1,292.1	—
Loan receivable – related party.....	5.5	5.1
Total assets.....	<u>\$ 1,319.0</u>	<u>\$ 1,224.9</u>
LIABILITIES AND EQUITY		
Current liabilities:		
Premium payable – related party.....	\$ —	\$ 3.2
Taxes payable.....	1.8	1.7
Third-party accrued interest.....	19.6	14.9
Total current liabilities.....	21.4	19.8
Long-term debt.....	1,292.1	1,200.0
Total liabilities.....	<u>1,313.5</u>	<u>1,219.8</u>
Commitments and contingencies.....		
Equity.....	5.5	5.1
Total liabilities and equity.....	<u>\$ 1,319.0</u>	<u>\$ 1,224.9</u>

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

LCPR SENIOR SECURED FINANCING DESIGNATED ACTIVITY COMPANY
STATEMENTS OF OPERATIONS

	Year ended December 31, 2020	September 20, 2019 (date of inception) to December 31, 2019
	in millions	
Non-operating income (expense):		
Interest expense.....	\$ (85.5)	\$ (14.9)
Interest income:		
Third-party.....	4.0	3.2
Related-party.....	14.5	—
Premium expense – related-party.....	(4.0)	(3.2)
Other income:		
Guarantee from related party.....	71.1	16.6
Other income – related party.....	0.4	5.1
Earnings before income taxes.....	0.5	6.8
Income tax expense.....	(0.1)	(1.7)
Net earnings.....	\$ 0.4	\$ 5.1

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

LCPR SENIOR SECURED FINANCING DESIGNATED ACTIVITY COMPANY
STATEMENTS OF CHANGES IN EQUITY

	<u>Total equity</u> <u>in millions</u>
Balance at September 20, 2019 (date of inception).....	\$ —
Net earnings.....	0.4
Balance at December 31, 2019.....	0.4
Net earnings.....	5.1
Balance at December 31, 2020.....	<u><u>\$ 5.5</u></u>

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

LCPR SENIOR SECURED FINANCING DESIGNATED ACTIVITY COMPANY
STATEMENTS OF CASH FLOWS

	Year ended December 31, 2020	September 20, 2019 (date of inception) to December 31, 2019
	in millions	
Cash flows from operating activities.....	\$ —	\$ —
Cash flows from investing activities:		
LLA Holdco LLC Proceeds Loan	(1,290.0)	—
LLA Holdco LLC Proceeds Loan Repayment	1,290.0	—
AT&T Mobility Proceeds Loan, inclusive of note premium	(1,292.3)	—
Net cash used by investing activities.....	(1,292.3)	—
Cash flows from financing activities:		
Borrowings of third-party debt	90.0	1,200.0
Original issue premium on third-party debt	2.3	—
Changes in restricted cash	(3.2)	3.2
Net cash provided by financing activities.....	89.1	1,203.2
Net increase (decrease) in cash, cash equivalents and restricted cash.....	(1,203.2)	1,203.2
Cash, cash equivalents and restricted cash:		
Beginning of period	1,203.2	—
End of year	\$ —	\$ 1,203.2

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

LCPR SENIOR SECURED FINANCING DESIGNATED ACTIVITY COMPANY
Notes to Financial Statements
December 31, 2020 and 2019

(1) Basis of Presentation

Organization

LCPR Senior Secured Financing Designated Activity Company (**LCPR Senior Secured Financing**) is a special purpose vehicle, which was incorporated in Ireland effective September 20, 2019 pursuant to the Companies Act 2014, as amended. LCPR Senior Secured Financing was created for the purpose of issuing notes, and with the proceeds therefrom, to fund loans to certain wholly-owned subsidiaries of Liberty Latin America Ltd. (**Liberty Latin America**). As further described in note 2, the proceeds of these loans were ultimately used by Liberty Latin America to partially finance the AT&T acquisition, as defined and described below. In these notes, the terms “we,” “our,” “our company” and “us” may refer, as the context requires, to LCPR Senior Secured Financing.

LCPR Senior Secured Financing was incorporated for an indefinite duration with authorized share capital of \$100,000,000 divided into 100,000,000 ordinary shares of \$1.00 each. Under a declaration of trust dated October 7, 2018, LCPR Senior Secured Financing has issued 1 ordinary share of \$1.00 under the terms of a declaration of trust dated October 7, 2019. Such shares are fully paid up and held by MaplesFS Trustees Ireland Limited. Neither Liberty Latin America, nor any of its subsidiaries, holds any equity interest in LCPR Senior Secured Financing.

Basis of Presentation

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

These financial statements reflect our consideration of the accounting and disclosure implications of subsequent events through **February 25, 2021**, the date of issuance.

(2) Summary of Significant Accounting Policies

Estimates

The preparation of financial statements in conformity with U.S. GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts expenses during the reporting period. Actual results could differ from those estimates.

Restricted Cash

Restricted cash at December 31, 2019 consists of cash held in escrow related to partially fund the AT&T Acquisition, as further defined and described below. Cash that is restricted to a specific use is classified as current or long-term based on, among other things, the expected use and timing of disbursement of the restricted cash. The change in restricted cash during 2019 relates to interest earned on cash held in escrow, which was also restricted until the closing of the AT&T Acquisition. Accordingly, changes in restricted cash have been reflected as a financing activity in the statements of cash flows.

During October 2019, Liberty Latin America entered into a stock purchase agreement with certain subsidiaries of AT&T Inc. (**AT&T**) to acquire AT&T’s wireless and wireline operations in Puerto Rico and the U.S. Virgin Islands, collectively “**Liberty Mobile**”, (the **AT&T Acquisition**) in an all-cash transaction. As further described in note 3, proceeds from the issuance of the 2027 LPR Notes (as defined and described in note 3) were deposited into escrow and were subsequently released to partially fund the AT&T Acquisition on October 31, 2020.

Income Taxes

We are a special purpose vehicle that was incorporated in Ireland and are subject to tax as a “qualifying company” under Section 110 of the Irish Taxes Consolidations Act, 1997. We are subject to Irish corporation tax at a rate of 25% on taxable profits.

LCPR SENIOR SECURED FINANCING DESIGNATED ACTIVITY COMPANY
Notes to Financial Statements — (Continued)
December 31, 2020 and 2019

(3) Debt

Our debt obligations are as follows:

	December 31, 2020	Estimated fair value (a)		Principal amount	
		December 31,		December 31,	
		2020	2019	2020	2019
		in millions			
Third-party debt before original issue premium (c).....	6.75 %	\$ 1,389.4	\$ 1,278.3	\$ 1,290.0	\$ 1,200.0

The following table provides a reconciliation of third-party debt before original issue premium to total debt:

	December 31,	
	2020	2019
in millions		
Total debt before original issue premium	\$ 1,290.0	\$ 1,200.0
Original issue premium on third-party debt	2.1	—
Total amount of long-term debt	\$ 1,292.1	\$ 1,200.0

- (a) 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).
- (b) Represents the stated interest rate in effect at December 31, 2020 and does not include the impact of an original issue premium that affects our overall cost of borrowing.
- (c) Represents the 2027 LPR Senior Secured Notes and the 2027 LPR Senior Secured Notes Add-on, each as further described below.

General Information—Senior Secured Notes. We have issued senior secured notes. In general, our senior secured notes (i) are senior obligations of each respective issuer within the borrowing group that rank equally with all of the existing and future debt of such issuer and are senior to all existing and future subordinated debt of each respective issuer within the borrowing group, (ii) contain, in most instances, guarantees from other entities of the borrowing group (as specified in the applicable indenture) and (iii) are secured by pledges over the shares of certain entities of the borrowing group and, in certain instances, over substantially all of the assets of those entities. In addition, the indenture governing our senior secured notes contain certain covenants that are applicable to the Liberty Communications PR Holding LP group and us, the more notable of which are as follows:

- Our notes contain certain customary incurrence-based covenants. In addition, our notes provide that any failure to pay principal prior to expiration of any applicable grace period, or any acceleration with respect to other indebtedness of the issuer or certain other members of the borrowing group, over agreed minimum thresholds (as specified under the applicable indenture), is an event of default under the respective notes;
- Our notes contain certain restrictions that, among other things, restrict the ability of the entities of the borrowing group to (i) incur or guarantee certain financial indebtedness, (ii) make certain disposals and acquisitions, (iii) create certain security interests over their assets, in each case, subject to certain customary and agreed exceptions and (iv) make certain restricted payments to its direct and/or indirect parent companies through dividends, loans or other distributions, subject to compliance with applicable covenants; and
- If the relevant issuer or certain of its subsidiaries (as specified in the applicable indenture) sell certain assets, such issuer must offer to repurchase the applicable notes at par, or if a change of control (as specified in the applicable indenture) occurs, such issuer must offer to repurchase all of the relevant notes at a redemption price of 101%.

LCPR SENIOR SECURED FINANCING DESIGNATED ACTIVITY COMPANY
Notes to Financial Statements — (Continued)
December 31, 2020 and 2019

2027 LPR Senior Secured Notes

In October 2019, we issued \$1.2 billion principal amount, at par, of 6.75% senior secured notes, due October 15, 2027 (the **2027 LPR Senior Secured Notes**). Interest is payable semi-annually on April 15 and October 15. LCPR Senior Secured Financing is a special purpose financing entity, created for the primary purpose of facilitating the issuance of certain debt offerings. As of December 31, 2020, Liberty Mobile is required to consolidate LCPR Senior Secured Financing as a result of certain variable interests in LCPR Senior Secured Financing, of which Liberty Mobile is considered the primary beneficiary.

Subject to the circumstances described below:

- The 2027 LPR Senior Secured Notes are non-callable until October 15, 2022.
- At any time prior to October 15, 2022, we may redeem some or all of the 2027 LPR Senior Secured Notes by paying a price equal to 100% of the principal amount of the 2027 LPR Senior Secured Notes redeemed plus accrued and unpaid interest and a “make-whole” premium, which is generally the present value of all remaining scheduled interest payments to October 15, 2022 using the discount rate (as specified in the indenture) as of the redemption date plus 50 basis points.
- At any time prior to October 15, 2022, subject to certain restrictions (as specified in the indenture), up to 40% of the 2027 LPR Senior Secured Notes may be redeemed with the net proceeds of one or more specified equity offerings at a redemption price equal to 106.750% of the principal amount redeemed, plus accrued and unpaid interest and additional amounts (as specified in the indenture), if any, to the redemption date.
- Prior to October 15, 2022, during each 12-month period commencing on October 9, 2019, up to 10% of the principal amount of the 2027 LPR Senior Secured Notes may be redeemed at a redemption price equal to 103% of the principal amount redeemed, plus accrued and unpaid interest and additional amounts (as specified in the indenture), if any, to the redemption date.

On and after October 15, 2022, we may redeem some or all of the 2027 LPR Senior Secured Notes at the following redemption prices (expressed as a percentage of principal amount) plus accrued and unpaid interest and additional amounts (as specified in the indenture), if any, to the applicable redemption date:

	Redemption Price
12-month period commencing October 15:	
2022.....	103.375%
2023.....	101.688%
2024 and thereafter.....	100.000%

The net proceeds from the 2027 LPR Senior Secured Notes and the 2027 LPR Senior Secured Notes Add-on (as defined and described below) were deposited into escrow (collectively, the “**AT&T Acquisition Restricted Cash**”), subsequently released upon consummation of the AT&T Acquisition and used to fund one or more loans to certain wholly-owned subsidiaries of Liberty Latin America. The payment of all obligations under such loans are guaranteed by Liberty Communications of Puerto Rico LLC (**LCPR**), a wholly-owned subsidiary of Liberty Latin America.

Financing Transactions

2027 LPR Senior Secured Notes Add-on. In May 2020, we issued an additional \$90 million aggregate principal amount, at 102.5% of par, under the existing 2027 LPR Senior Secured Notes indenture (the 2027 LPR Senior Secured Notes Add-on, together with the 2027 LPR Senior Secured Notes, the **2027 LPR Notes**). The terms and conditions of the 2027 LPR Senior Secured Notes Add-on are consistent with the original indenture.

As further described above, the net proceeds from the 2027 LPR Senior Secured Notes Add-on were deposited into escrow and subsequently released upon consummation of the AT&T Acquisition.

During 2020 and 2019, financing costs of \$26.6 million and \$9.4 million, respectively, related to the issuance of the 2027 LPR Notes were paid by affiliates of Liberty Communications PR Holding LP, a subsidiary of Liberty Latin America.

LCPR SENIOR SECURED FINANCING DESIGNATED ACTIVITY COMPANY
Notes to Financial Statements — (Continued)
December 31, 2020 and 2019

(4) Related-party Transactions

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

	Year ended December 31, 2020	September 30 2019 (date of inception) to December 31, 2019
	in millions	
Interest income (a).....	\$ 14.5	\$ —
Premium expense (b).....	\$ 4.0	\$ 3.2
Other income:		
Guarantee from related party (c).....	\$ 71.1	\$ 16.6
Other income (d).....	\$ 0.4	\$ 5.1

- (a) Represents interest income earned on the AT&T Mobility Proceeds Loan, as further described below.
- (b) Represents expense related to our obligation to pay LLA Holdco LLC for interest earned on the AT&T Acquisition Restricted Cash.
- (c) Represents income related to a guarantee from LCPR to fund our cash obligations to service the 2027 LPR Senior Secured Notes and 2027 LPR Senior Secured Notes, as stipulated under the conditions of the guarantee of the 2027 LPR Notes. As further discussed in note 3, the payment of all obligations under such loans are guaranteed by LCPR and certain of its affiliates and their respective subsidiaries. Prior to entering into the AT&T Mobility Proceeds Loan, our sole source of liquidity came from payments from LCPR in satisfaction of its obligations under this guarantee. These amounts also include guarantee income from LCPR to fund our income taxes, as further described in note 2.
- (d) Under an agreement signed in connection with the 2027 LPR Notes, LCPR is required to pay us a fee for making the proceeds from the 2027 LPR Notes available to LCPR and its affiliates (the **Issues Arrangement Agreement Fee**). We have agreed to issue a non-interest bearing loan to LCPR in an amount equal to the Issues Arrangement Agreement Fee (the **Issues Arrangement Agreement Loan**), such that the funding of the fee and the loan occur on a cashless basis.

The details of our related-party assets and liabilities are set forth below:

	December 31,	
	2020	2019
	in millions	
Assets:		
Current receivable (a).....	\$ 6.7	\$ 16.6
Current interest income receivable (b).....	14.7	—
AT&T Mobility Proceeds Loan, inclusive of unamortized original issue premium (d)...	1,292.1	
Loan receivable (c).....	5.5	5.1
Total assets:.....	\$ 1,319.0	\$ 21.7
Liabilities:		
Premium payable (e).....	\$ —	\$ 3.2

- (a) Represents amounts due from LCPR to fund (i) interest payments up to the point in time the AT&T Mobility Proceeds Loan is in effect, as required under agreements signed in connection with the issuance of the LPR 2027 Notes, and (ii) tax payments required under Section 110 of the Irish Taxes Consolidations Act, 1997, as further described in note 2.
- (b) Represents amounts due from AT&T Mobility Puerto Rico, Inc. for interest income due on the AT&T Mobility Proceeds Loan, as further defined and described below.

LCPR SENIOR SECURED FINANCING DESIGNATED ACTIVITY COMPANY
Notes to Financial Statements — (Continued)
December 31, 2020 and 2019

- (c) Represents the Issues Arrangement Agreement Loan.
- (d) Represents the AT&T Mobility Proceeds Loan, as further defined and described below.
- (e) The December 31, 2019 balance represents our obligation to pay LLA Holdco LLC for interest earned on the AT&T Acquisition Restricted Cash.

Proceeds Loans

Through a series of transactions with affiliates of LCPR, the 2027 LPR Notes were pushed down through an intercompany loan (the **LLA Holdco Proceeds Loan**) to LLA Holdco (the **LLA Holdco Push Down Transaction**). The LLA Holdco Push Down Transaction was facilitated through a daylight facility loan with a financial institution, whereby LLA Holdco ultimately repaid to us amounts outstanding under the LLA Holdco Proceeds Loan (**LLA Holdco Proceeds Loan Repayment**). Upon completion of LLA Holdco Proceeds Loan Repayment, we subsequently pushed down through an intercompany loan the full amount of the 2027 LPR Notes to AT&T Puerto Rico Mobility Inc. (the **AT&T Mobility Push Down Transaction**). Upon completion of the AT&T Mobility Push Down Transaction, we have a note receivable due from AT&T Mobility Puerto Rico Inc. with an original principal amount of \$1.290 billion (the **AT&T Mobility Proceeds Loan**) that was issued with an original issue premium of \$2.3 million. The terms of the AT&T Mobility Proceeds Loans matches the interest rate and maturity of the 2027 LPR Notes, as further described in note 3.