

Liberty Communications PR Holding LP

December 31, 2021 Annual Report

Liberty Communications PR Holding LP

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Liberty Communications PR Holding LP

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GLOSSARY OF DEFINED TERMS

Unless the context requires otherwise, references to “**Liberty PR**”, “**we**,” “**our**,” “**our company**” and “**us**” in this annual report may refer to Liberty Communications PR Holding LP or collectively to Liberty Communications PR Holding LP and its subsidiaries. We have used several other terms in this annual report, most of which are defined or explained below.

2026 SPV Credit Facility	\$1.0 billion principal amount of LIBOR + 5.0% term loan facility due October 15, 2026 issued by LCPR Loan Financing (repaid during 2021)
2027 LPR Senior Secured Notes	\$1.2 billion aggregate principal amount 6.75% senior secured notes due October 15, 2027 issued by LCPR Senior Secured Financing
2027 LPR Senior Secured Notes Add-on	\$90 million principal amount issued at 102.5% of par under the existing 2027 LPR Senior Secured Notes indenture
2028 LPR Term Loan	\$620 million principal amount LIBOR + 3.75% term loan facility due October 15, 2028 issued by LCPR Loan Financing
2029 LPR Senior Secured Notes	\$820 million principal amount 5.125% senior secured notes due July 15, 2029 issued by LCPR Senior Secured Financing
Acquisition Agreement	Stock purchase agreement entered into between Liberty PR and Liberty Latin America and AT&T to acquire the AT&T Acquired Entities
Adjusted OIBDA	Operating income or loss before share-based compensation, depreciation and amortization, related-party fees and allocations, 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.
ARPU	Average monthly subscription revenue per average fixed RGU or mobile subscriber, as applicable
ASC	Accounting Standards Codification
ASU	Accounting Standards Update
AT&T	AT&T Inc.
AT&T Acquired Entities	Collectively, Liberty Mobile Inc., Liberty Mobile Puerto Rico Inc. and Liberty Mobile USVI Inc.
AT&T Acquisition	October 31, 2020 acquisition of all of the outstanding shares of the AT&T Acquired Entities
B2B	Business-to-business
B2B Disposal	The United States Department of Justice, as a condition of approval of the AT&T Acquisition, required us to divest certain B2B operations that were a part of our then-existing operations in Puerto Rico
Broadband VI, LLC Acquisition	December 31, 2021 acquisition of 96% of Broadband VI, LLC
C&W	Cable & Wireless Communications Limited and its subsidiaries
C&W Transfer	Certain B2B operations of C&W in Puerto Rico were transferred to LCPR
Cayman Holding	LCPR Cayman Holding Inc.
CDS	Credit default swap
CLEC	Competitive local exchange carrier
Communications Act	The United States Communications Act of 1934, as amended
CPE	Customer premises equipment
CRU	Corporate Responsible User
DirecTV	DIRECTV Latin America Holdings, Inc.
Dish Network	Dish Network Corporation
DOCSIS	Data over cable service interface specification
DOJ	United States Department of Justice
DTH	Direct to home
DVR	Digital video recorder

GLOSSARY OF DEFINED TERMS

EBU	Equivalent billing unit
EIP	Equipment installment-plan
ETC	Eligible Telecommunications Carrier
FASB	Financial Accounting Standards Board
FCC	United States Federal Communications Commission
FCPA	United States Foreign Corrupt Practices Act of 1977, as amended
FTTH	Fiber-to-the-home/-cabinet/-building/-node
GITCs	General information technology controls
HD	High definition
HFC	Hybrid fiber coaxial cable networks
ILEC	Incumbent local exchange carrier
Law 213	The Puerto Rico Telecommunications Act of 1996
LCPR	Liberty Communications of Puerto Rico LLC
LCPR Loan Financing	LCPR Loan Financing LLC, a consolidated special purpose financing entity
LCPR Senior Secured Financing	LCPR Senior Secured Financing Designated Activity Company, a consolidated special purpose financing entity
LCPR Ventures	LCPR Ventures LLC
Liberty Latin America	Liberty Latin America Ltd.
Liberty Mobile	Liberty Mobile Inc. and its subsidiaries
Liberty PR	Liberty Communications PR Holding LP and its subsidiaries, which include LCPR and, as of October 31, 2020, Liberty Mobile and its subsidiaries
LIBOR	London Inter-Bank Offered Rate
LiLAC Loan	\$70 million loan agreement with another subsidiary of Liberty Latin America
LiLAC Services	LiLAC Services Ltd.
LiLAC Services Receivable	\$257 million principal amount 5.125% loan due July 15, 2029 issued by LCPR Ventures to LiLAC Services
LLA Holdco	LLA Holdco LLC
LPR Credit Facilities	Senior secured credit facilities comprised of: (i) LPR Revolving Credit Facility; (ii) 2028 LPR Term Loan; and (iii) at December 31, 2020, 2026 SPV Credit Facility
LPR Revolving Credit Facility	\$173 million LIBOR + 3.5% revolving credit facility due March 15, 2027
LPR Senior Secured Notes	Senior secured notes comprised of: (i) 2029 LPR Senior Secured Notes, (ii) 2027 LPR Senior Secured Notes and (iii) 2027 LPR Senior Secured Notes Add-on
Network Extensions	Network extension and upgrade programs across Liberty Latin America
OFAC	Office of Foreign Assets Control
PRTC	Telecommunications Of Puerto Rico, Inc.
RGU	Revenue generating unit
Senior Secured Covenant Group	LCPR and LLA Holdco and its subsidiaries
SIM	Subscriber identification module
SOHO	Small office / home office
TB	The Puerto Rico Telecommunications Regulatory Bureau
TSA	Transition services agreement dated October 31, 2020 by and between AT&T and Leo Cable LP, a wholly-owned subsidiary of Liberty Latin America, for a period up to 36 months following the closing of the AT&T Acquisition
UPR Fund	Uniendo a Puerto Rico Fund
U.S.	United States
U.S. GAAP	Generally accepted accounting principles in the United States
USF	Universal Service Fund

GLOSSARY OF DEFINED TERMS

USVI	U.S. Virgin Islands
VoD	Video-on-demand
VoIP	Voice-over-internet-protocol
Weather Derivative	Weather derivative contract that provides insurance coverage for certain weather-related events

FORWARD-LOOKING STATEMENTS

Certain statements in this report constitute forward-looking statements. To the extent that statements in this 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 *Business* and *Management's Discussion and Analysis of Financial Condition and Results of Operations* may contain forward-looking statements, including statements regarding: our business, products and finance strategies; subscriber growth and retention rates; changes in competitive, regulatory and economic factors; anticipated changes in our revenue, expenses or growth rates; debt levels; our liquidity and our ability to access the liquidity of our subsidiaries; credit risks; internal control over financial reporting; interest rate risks; compliance with debt, financial and other covenants; our projected sources and uses of cash; our anticipated integration plans, synergies, opportunities and integration costs following the AT&T Acquisition, including integration costs; the effects and potential impacts of COVID-19 on our business and results of operations; reductions in operating and capital costs; the remediation of material weaknesses; 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;
- the competitive environment in the industries in which we operate in Puerto Rico, including competitor responses to our products and services;
- fluctuations in inflation rates and interest rates;
- our relationships with third-party programming providers and broadcasters, some of which are also offering content directly to consumers, and our ability to maintain access to desirable programming on acceptable economic terms;
- our relationships with suppliers and licensors and the ability to maintain equipment, software and certain services;
- instability in global financial markets, including sovereign debt issues and related fiscal reforms;
- our ability to obtain additional financing and generate sufficient cash to meet our debt obligations;
- the impact of restrictions contained in certain of our subsidiaries' debt instruments;
- consumer disposable income and spending levels, including the availability and amount of individual consumer debt;
- changes in consumer viewing preferences and habits, including on mobile devices that function on various operating systems and specifications, limited bandwidth, and different processing power and screen sizes;
- customer acceptance of our existing service offerings, including our video, broadband internet, fixed-line telephony, mobile and business service offerings, and of new technology, programming alternatives and other products and services that we may offer in the future;
- our ability to manage rapid technological changes;
- the impact of 5G and wireless technologies on broadband internet;
- our ability to maintain or increase the number of subscriptions to our video, broadband internet, fixed-line telephony and mobile service offerings and our average revenue per household and mobile subscriber;
- our ability to provide satisfactory customer service, including support for new and evolving products and services;
- our ability to maintain or increase rates to our subscribers or to pass through increased costs to our subscribers;

- the impact of our future financial performance, or market conditions generally, on the availability, terms and deployment of capital;
- changes in, or failure or inability to comply with, government regulations in Puerto Rico and adverse outcomes from regulatory proceedings;
- government intervention that requires opening our broadband distribution network to competitors;
- our ability to renew necessary regulatory licenses, concessions or other operating agreements and to otherwise acquire spectrum or other licenses that we need to offer mobile data or other technologies or services;
- our ability to obtain regulatory approval and satisfy other conditions necessary to close acquisitions and dispositions, and the impact of conditions imposed by competition and other regulatory authorities in connection with acquisitions;
- our ability to successfully acquire new businesses and, if acquired, to integrate, realize anticipated efficiencies from and implement our business plan with respect to the businesses we have acquired or that we expect to acquire, such as with respect to the AT&T Acquisition;
- changes in laws or treaties relating to taxation, or the interpretation thereof, in Puerto Rico and the results of any tax audits or tax disputes;
- 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, including third-party channel providers and broadcasters, to timely deliver quality products, equipment, software, services and access;
- the availability of attractive programming for our video services and the costs associated with such programming, including retransmission and copyright fees payable to public and private broadcasters;
- uncertainties inherent in the development and integration of new business lines and business strategies;
- our ability to adequately forecast and plan future network requirements, including the costs and benefits associated with our network extension and upgrade programs;
- the availability of capital for the acquisition and/or development of telecommunications networks and services, including property and equipment additions;
- problems we may discover post-closing with the operations, including the internal controls and financial reporting process, of businesses we acquire, such as with respect to the AT&T Acquired Entities;
- the effects of any of the identified material weaknesses in our internal control over financial reporting;
- piracy, vandalism against our networks, and cybersecurity and ransomware threats or other security breaches, including the leakage of sensitive customer data, which could harm our business or reputation;
- the outcome of any pending or threatened litigation;
- the loss of key employees and the availability of qualified personnel;
- the effects of any strikes, work stoppages or other industrial actions that could affect our operations;
- changes in the nature of key strategic relationships with partners;
- our ability to realize the full value of our intangible assets;
- changes in and compliance with applicable data privacy laws, rules, and regulations;
- our ability to recoup insurance reimbursements and settlements from third-party providers;

- our ability to comply with anti-corruption laws and regulations, such as the FCPA;
- our ability to comply with economic and trade sanctions laws, such as the U.S. Treasury Department's OFAC
- the impacts of climate change such as rising sea levels or increasing frequency and intensity of certain weather phenomena; and
- events that are outside of our control, such as political conditions and unrest in international markets, terrorist attacks, malicious human acts, natural disasters, pandemics, including the COVID-19 pandemic, and other similar events.

The broadband distribution and mobile services industries are changing rapidly and, therefore, the forward-looking statements of expectations, plans and intent in this annual report are subject to a significant degree of risk. These forward-looking statements and the above described risks, uncertainties and other factors speak only as of the date of this annual report, and we expressly disclaim any obligation or undertaking to disseminate any updates or revisions to any forward-looking statement contained herein, to reflect any change in our expectations with regard thereto, or any other change in events, conditions or circumstances on which any such statement is based. Readers are cautioned not to place undue reliance on any forward-looking statement.

BUSINESS

Overview

Liberty PR, is an indirect wholly-owned subsidiary of Liberty Latin America and holds a (i) 100% interest in Cayman Holding and (ii) a 100% interest in LCPR Ventures. Cayman Holding and LCPR Ventures jointly own LCPR, while LCPR Ventures wholly-owns LLA Holdco, the direct parent of Liberty Mobile. LCPR and LLA Holdco and its subsidiaries comprise the Senior Secured Covenant Group.

We provide fixed and mobile telecommunications services to residential and business customers in Puerto Rico and the U.S. Virgin Islands through (i) LCPR and (ii) as of October 31, 2020 and as further described in note 4 to our consolidated financial statements, Liberty Mobile and its subsidiaries.

Residential Services

Mobile Services. We are a mobile network provider, delivering high-speed services in Puerto Rico. In Puerto Rico, spectrum licenses are typically held for perpetuity with the exception of CBRS spectrum which has a term of 10 years. We transmit wireless calls and data through radio frequencies that we use under spectrum licenses. We have a diversified portfolio of frequencies, which include supporting 5G technologies. Spectrum is a limited resource, and, as a result, we may face spectrum and capacity constraints on our wireless network. We believe our current spectrum portfolio will allow us to meet subscribers' needs in the coming years, although we will continue to evaluate our need to acquire additional frequencies to supplement our existing spectrum portfolio. For example, in 2020, we acquired CBRS (3.5 GHz) spectrum in Puerto Rico and the USVI in the auction for that frequency. In Puerto Rico and USVI the 700 MHz FirstNet (Band 14) is usable by us (when not occupied by first responders' traffic) but owned by AT&T and the First Responders Public Private Partnership.

In Puerto Rico and the USVI, we are a reseller of the national US FirstNet (Emergency/First Responders) network, which necessitates above-average network resilience and other customer performance requirements, subject to governmental penalties for non-compliance.

Video Services. We offer video services in Puerto Rico. To meet the demands of our customers, we have enhanced our video services with next generation, market-leading digital television platforms that enable our customers to control when and where they watch their programming. These advanced services are delivered over our FTTH and hybrid fiber coaxial cable networks and include a DVR, a VoD offering and an advanced electronic programming guide. In Puerto Rico, our video customers can watch their favorite channels on the TiVO serviced Liberty Go app as well as access over 65 applications from content providers to watch streamed linear and VoD programming by authenticating as a Liberty PR customer.

Internet. We offer high-speed internet access throughout our entire footprint. Our fully digital, two-way HFC cable and FTTH network enables us to deliver ultra-high speed broadband Internet services. We have invested heavily in fixed and wireless infrastructure assets that enable us to deliver superior connectivity solutions to our customers and plan to continue to invest in technologies to increase the speed, reliability and resilience of our network. We deliver broadband Internet over a more than 12,000 mile, fully digital, two-way HFC cable and FTTH network, capable of delivering connectivity services, including our market-leading 600 Mbps broadband Internet speeds, to approximately 1,160,200 homes passed in Puerto Rico as of December 31, 2021. For five consecutive years, from 2017 to 2021, Ookla recognized us as the fastest fixed Internet service provider in Puerto Rico.

Fixed-Line Telephony Services. Liberty PR offers fixed-line telephony services, including both circuit-switched telephony and VoIP. We similarly offer B2B customers enterprise class telephone services which include traditional multi-line phone service over DOCSIS and trunking solutions as well as optional add-on services, such international calling, toll free calling and virtual receptionists.

In Puerto Rico, our network includes a fiber ring around the island that provides enhanced interconnectivity points to the island's other local and international telecommunications companies.

Regulatory Matters

Liberty PR is subject to regulation in Puerto Rico by various governmental entities at the Puerto Rico and the U.S. federal level, including the FCC and TB. TB has primary regulatory jurisdiction in Puerto Rico at the local level and is responsible for awarding franchises to cable operators for the provision of cable service in Puerto Rico and regulating cable television and telecommunications services.

Our business in Puerto Rico and the USVI also is subject to comprehensive regulation under the Communications Act, which regulates communication, telecommunication, mobile and cable television services. The Communications Act also provides the general legal framework for, among other things, the provision of telephone services, services related to interconnection between telephone carriers, and television, radio, cable television and direct broadcast satellite services.

The FCC and/or the TB have the authority to impose sanctions, including warnings, fines, license revocations and, in certain specific cases, termination of the franchise, although license revocation and franchise termination are rare. The Communications Act specifies causes for the termination of licenses, including, for example, the failure to comply with license requirements and conditions or to pay fines or fees in a timely manner. Such sanctions by the TB and/or FCC can be appealed to, and reviewed by, Puerto Rican courts and U.S. federal courts, respectively.

In May 2018, the FCC established the UPR Fund and Connect USVI Fund to provide subsidies for the deployment and hardening of fixed wireline and mobile wireless communications networks in Puerto Rico and USVI. Stage 1 of the UPR Fund and Connect USVI Fund made \$51 million and \$13 million of new funding available for Puerto Rico and USVI telecommunications providers, respectively, following Hurricanes Maria and Irma in 2017. Under Stage 1 of the UPR Fund, the FCC awarded approximately \$11 million to LCPR.

Stage 2 of the UPR Fund and Connect USVI Fund made additional funding available to providers of services over fixed wireline networks through a competitive bidding process, and to mobile wireless providers subject to those providers meeting certain conditions.

To be eligible for Stage 2 UPR funding for fixed services, Liberty PR requested that TB designate it as an ETC, which the TB did in June 2018. As part of its obligations as an ETC, Liberty PR must offer services at a discounted rate to low income customers under the federal Lifeline Program and low-cost services to schools and libraries under the Schools and Libraries Program (E-Rate). Both programs provide FCC subsidies to ensure access to telecommunications and broadband access services for specified classes of customers. Liberty PR began offering Lifeline services in April 2019.

On November 2, 2020 LCPR received preliminary approval from the FCC for an award of approximately \$72 million through the UPR Fund. The funds are in support of providing high-speed broadband access to all locations within 43 of Puerto Rico's 78 municipalities, representing service to over 914,000 locations. After LCPR submitted all required materials in June 2021, the associated funding with this program was authorized by the FCC. Liberty PR will have six years to complete the network expansions and upgrades, during which certain milestones must be met. Liberty PR is expected to receive approximately \$72 million, which will be paid in 120 equal monthly payments over a 10-year period that began in July 2021. The revenue recognized from such project will be reflected as "other revenue" in our revenue by product disclosures in our financial statements. In 2021, we received \$4 million in fixed funding.

With respect to Stage 2 UPR funding for mobile wireless providers, the FCC also established in September 2019 that mobile wireless providers providing service in Puerto Rico as of June 2017 were eligible to receive up to \$254 million over three years based on their relative number of subscribers for such service as of June 2017. In order to obtain such support, the mobile providers were required to confirm the number of mobile wireless subscribers they served as of June 2017, and obtain FCC approval of a plan that describes and commits to the methods and procedures that will be used to prepare for and respond to disasters in Puerto Rico. Liberty PR's predecessor wireless provider in Puerto Rico (AT&T) submitted the required documentation and in June 2020, the FCC authorized that entity to receive approximately \$33 million in funding per year over three years or a total amount of \$102 million in funding to expand, improve and harden the mobile networks in Puerto Rico and the U.S. Virgin Islands. That entity had previously obtained the required ETC designation in Puerto Rico. Having purchased this business in connection with the AT&T Acquisition, Liberty PR is receiving these funds. The funds are paid in equal monthly installments of \$3 million and since the date of the AT&T Acquisition, we have received \$40 million in funding, including approximately \$38 million and \$2 million received by our mobile operations in Puerto Rico and the U.S. Virgin Islands, respectively.

Similarly, effective December 31, 2021, Liberty PR acquired 96% of the outstanding shares of Broadband VI, LLC for \$33 million, subject to certain post-closing adjustments. On June 8, 2021, the FCC's Wireline Competition Bureau issued a public notice authorizing \$85 million in Connect USVI funding for Broadband VI, LLC to deploy wireline networks and provide voice and broadband services to more than 46,000 locations in the U.S. Virgin Islands. Given its acquisition of Broadband VI, LLC, Liberty PR will now be the recipient of these funds, as well as responsible for the network expansions and upgrades committed to in the bid. Liberty PR will have six years to complete the network expansions and upgrades committed to in the bid, and will receive FCC funding support over the course of ten years. In addition to expansions and upgrades, Broadband VI, LLC committed to a robust disaster preparation and response plan to harden its network and make it more resistant to storm damage.

Liberty PR also is subject to certain regulatory requirements specific to it. Liberty Latin America entered into a Letter of Agreement on July 1, 2020 with the DOJ and the U.S. Department of Defense in connection with the AT&T Acquisition, and Liberty Communications PR entered into a Letter of Agreement on November 20, 2020 with the DOJ regarding an FCC application. Further, Liberty Latin America and LCPR are subject to a Final Judgment, filed on February 3, 2021, in connection with the divestiture of certain assets to complete the AT&T Acquisition, which does not expire for 10 years. Failure to comply with the Letters of Agreement or the Final Judgment could result in a variety of sanctions, including, for example, fines and/or license revocation.

In Puerto Rico, antitrust regulation is governed by the U.S. Sherman Act, other federal antitrust legislation, and the Puerto Rico Anti-Monopoly Law. In particular, the Sherman Act seeks to prevent anti-competitive practices in the marketplace and requires governmental review of certain business combinations, among other things. The Puerto Rico Anti-Monopoly Law substantially parallels the Sherman Act and authorizes the Puerto Rico Department of Justice to investigate and impose competition-related conditions on transactions. The Attorney General of Puerto Rico is permitted to investigate a transaction under federal law or under the Puerto Rico Anti-Monopoly Law.

Puerto Rico Law 5 of 1973, as amended, created the Puerto Rico Department of Consumer Affairs, which regulates marketing campaigns, publicity, and breach of service contracts, and prohibits false advertising. Law 213, which created the TB, requires that rates for telecommunication services be cost-based, forbids cross-subsidies and focuses on encouraging, preserving and enforcing competition in the cable and telecommunications markets. Although Law 213 does not require LCPR to obtain any approval of rate increases for cable television or telecommunication services, any such increases must be in compliance with Law 213's requirements, including notification to the TB before such increases take effect.

Video. The provision of cable television services requires a franchise issued by the TB. Franchises are subject to termination proceedings in the event of a material breach or failure to comply with certain material provisions set forth in the franchise agreement governing a franchisee's system operations, although such terminations are rare. In addition, franchises require payment of a franchise fee as one of the requirements to the grant of authority which is passed to Liberty PR's customers. Franchises establish comprehensive facilities and service requirements, as well as specific customer service standards and monetary penalties for non-compliance. Franchises are generally granted for fixed terms of up to ten years and must be periodically renewed.

Our pay television service in Puerto Rico is subject to, among other things, subscriber privacy regulations and must-carry and retransmission consent rights of broadcast television stations. The Communications Act and FCC rules govern aspects of the carriage relationship between broadcast television stations and cable companies. To ensure that every qualifying local television station can be received in its local market without requiring a cable subscriber to switch between cable and off-air signals, the FCC allows every qualifying full-power television broadcast station to require that all local cable systems transmit that station's primary digital channel to their subscribers within the station's market (the **must-carry rule**) pursuant to the Cable Television Consumer Protection and Competition Act of 1992. Alternatively, a station may elect every three years to forego its must carry rights and seek a negotiated agreement to establish the terms of its carriage by a local cable system, referred to as retransmission consent.

Communications Act requirements and FCC regulations applicable to the video services provided by Liberty PR include, among other things: (1) licensing of communications systems and facilities, such as various spectrum licenses; (2) customer and technical service standards; (3) ownership restrictions; (4) emergency alert systems; (5) disability access, including video description and closed captioning; (6) competitive availability of cable equipment; (7) equal employment obligations; and (8) public, education and government entity access requirements.

Internet. Liberty PR offers high-speed Internet access throughout its entire footprint in Puerto Rico. In March 2015, the FCC issued an order classifying mass-market broadband Internet access service as a “telecommunications service,” changing its long-standing treatment of this offering as an “information service,” which the FCC traditionally has subjected to limited regulation. The rules adopted by the FCC prohibited, among other things, broadband providers from: (i) blocking access to lawful content, applications, services or non-harmful devices; (ii) impairing or degrading lawful internet traffic on the basis of content, applications, services or non-harmful devices; and (iii) favoring some lawful Internet traffic over other lawful Internet traffic in exchange for consideration (collectively, **2015 Restrictions**). In addition, the FCC prohibited broadband providers from unreasonably interfering with users’ ability to access lawful content or use devices that do not harm the network, or with edge providers’ ability to disseminate their content, and imposed more detailed disclosure obligations on broadband providers than were previously in place. On December 14, 2017, the FCC adopted a Declaratory Ruling, Report and Order (the **2017 Order**) that, in large part, reversed the regulations issued by the FCC in 2015. The 2017 Order, among other things, restores the classifications of broadband Internet access as an information service under Title I of the Communications Act, and mobile broadband Internet access service as a private mobile service, and eliminates the 2015 Restrictions. The 2017 Order does require internet service providers to disclose information to consumers regarding practices such as throttling, paid prioritization and affiliated prioritization, and restores the broadband consumer protection authority to the Federal Trade Commission. In 2019, the United States Court of Appeals for the District of Columbia Circuit (**D.C. Circuit**) largely upheld the 2017 Order. However, the current FCC may seek to re-impose the 2015 Restrictions or some variation thereof. Legislation proposals regarding the net neutrality rules also are pending in Congress.

Liberty PR is a participating provider in the Emergency Broadband Benefit Program (**EBB**), which provides discounts to eligible households to support internet connectivity during the COVID-19 pandemic. The Infrastructure Investment and Jobs Act (**Infrastructure Act**), enacted on November 15, 2021, renamed the EBB Program the Affordable Connectivity Program (**ACP**). The Infrastructure Act, among other things, reduced the standard benefit discount from \$50 per month to \$30 per month and requires a broadband provider to allow enrolled households to apply the ACP benefit to any of the provider’s internet service offerings. The ACP launched on December 31, 2021.

Fixed-Line Telephony Services. Liberty PR offers fixed-line telephony services, including both circuit-switched telephony and VoIP. Its circuit-switched telephony services are subject to FCC and local regulations regarding the quality and technical aspects of service. All local telecommunications providers, including Liberty PR, are obligated to provide telephony service to all customers within the service area, subject to certain exceptions under FCC regulations, and must give long distance telephony service providers equal access to their network. Under the Communications Act, CLECs, like us, may require interconnection with the ILEC, and the ILEC must negotiate a reasonable and nondiscriminatory interconnection agreement with the CLEC. Such arrangement requires the ILEC to interconnect with the CLEC at any technically feasible point within the ILEC’s network, provide access to certain unbundled network elements of the ILEC’s network, and allow physical collocation of the CLEC’s equipment in the ILEC’s facilities to permit interconnection or access to unbundled network element services. Therefore, we have the right to interconnect with the incumbent local exchange carrier PRTC. We have negotiated an interconnection agreement with PRTC, and the physical interconnection between both companies has been activated.

All of the circuit-switched telephony and VoIP services of Liberty PR are subject to a charge for the federal USF, which is a fund created under the Communications Act to subsidize telecommunication services in high-cost areas, to provide telecommunications services for low-income consumers, and to provide certain subsidies for schools, libraries and rural healthcare facilities. The FCC has redirected the focus of USF to support broadband deployment in high-cost areas. In addition, our circuit-switched telephony and VoIP services are subject to a charge for a local Puerto Rico Universal Service Fund, which was created by law to subsidize telecommunications services under the federal USF Lifeline and Link-Up programs.

The FCC has adopted other regulations for VoIP services, including the requirement that interconnected VoIP providers and facilities-based broadband internet access providers must comply with the Communications Assistance for Law Enforcement Act, which requires carriers to provide certain assistance to federal law enforcement authorities. VoIP providers are also required to offer basic and enhanced 911 emergency calling services, which requires disclosure to all VoIP customers. VoIP providers are also subject to federal rules regarding, among other things: (1) customer proprietary network information and customer privacy protections; (2) number portability; (3) network outage reporting; (4) rural call completion; (5) disability access; (6) back-up power obligations; and (7) robocall mitigation.

Mobile Services. Liberty Mobile and its subsidiaries offer mobile services in Puerto Rico and the U.S. Virgin Islands. The FCC regulates virtually all aspects of United States wireless communications systems, including spectrum licensing, tower and antenna construction, modification and operation, the ownership and sale of wireless systems and licenses, as well as the

acquisition and use of wireless spectrum. Local governments, such as in Puerto Rico and the U.S. Virgin Islands, typically regulate the placement of wireless towers and similar facilities via zoning laws. At present, neither the FCC nor state or local governments regulate specific service offerings or rate plans. In addition, other federal and state agencies have asserted jurisdiction over consumer protection and the elimination and prevention of anticompetitive business practices in the wireless industry. The specific issues as to which our United States mobile services operations are subject to regulatory oversight include: roaming, interconnection, spectrum allocation and licensing, facilities siting, pole attachments, intercarrier compensation, USF contributions and distributions (such as through the UPR Fund and Connect USVI Fund), network neutrality, 911 services, consumer protection, consumer privacy protections, number portability, and cybersecurity. Failure to comply with applicable regulations could subject us to fines, forfeitures, and other penalties (including, in extreme cases, revocation of our spectrum licenses), even if any non-compliance was unintentional.

Foreign Ownership. The Communications Act and the FCC's rules limit the equity and voting interests that foreign individuals and entities may hold directly in certain FCC licensees and spectrum lessees to twenty percent (20%). The Communications Act and the FCC's rules also limit indirect foreign equity and voting interests in such FCC licensees and spectrum lessees to twenty-five (25%) absent prior FCC approval.

Privacy and Data Security. Liberty PR is subject to federal, state and international laws and regulations relating to privacy and data security that impact all parts of its business, including video, wireline, wireless, broadband and the development of new services. At the federal level, Liberty PR's video and voice businesses are subject to privacy rules. The FTC oversees broadband internet access privacy and data security as a result of the 2017 Order. Privacy and data security concerns and requirements increasingly are the subject of proposed legislation and regulation at federal and state levels, and privacy-related legislation is under consideration.

Competition

Mobile Services

- Liberty PR competes with T-Mobile US, and Claro for the provision of mobile services.

Broadband Internet

- Liberty PR competes primarily with Claro and other operators using fiber networks or fixed wireless access technologies. To compete with these providers, Liberty PR offers its high-speed Internet with download speeds of up to 600 Mbps.

Video Distribution

- Liberty PR is the largest provider of fixed-line video services in Puerto Rico with 50% of the market share. Liberty PR's primary competition for video customers is from DTH satellite providers DirecTV and Dish Network. Dish Network is an aggressive competitor, offering low introductory offers, free HD channels and, in its top tier packages, a free multi-room DVR service. DirecTV is also a significant competitor offering similar programming in Puerto Rico compared to Dish Network. In order to compete, Liberty PR focuses on offering video packages with attractive programming, including HD and Spanish language channels, plus a specialty video package of Spanish-only channels that has gained popularity. In addition, Liberty PR uses its bundled offers that include high-speed internet with download speeds of up to 600 Mbps to drive its video services.

Human Capital Resources

- Liberty PR has approximately 2,200 employees.

Operating Data

The following table presents our operating statistics as of December 31, 2021:

Footprint:	
Homes Passed	1,160,200
Fixed Subscribers (RGUs):	
Video	245,700
Internet	478,900
Telephony	252,500
Total RGUs	977,100
Mobile subscribers:	
Postpaid (a)	822,500
Prepaid	199,900
Total mobile subscribers	1,022,400
Network data:	
Two-way homes passed (b)	100 %
Homes passed:	
Cable (c)	95 %
FTTH (c)	5 %
Product Penetration:	
Television (d)	21 %
Broadband internet (e)	41 %
Fixed-line telephony (e)	22 %
Fixed-line Customer relationships	
Customer Relationships	520,500
RGUs per Customer Relationship	1.88
Customer bundling	
Double-play (f)	12 %
Triple-play (f)	38 %

- (a) Postpaid mobile subscribers include 139,700 CRUs. A CRU represents an individual receiving mobile services through an organization that has entered into a contract for mobile services with us and the organization is responsible for the payment of the CRU's mobile services.
- (b) Percentage of total homes passed that are two-way homes passed.
- (c) Percentage of two-way homes passed served by a cable or FTTH network, as applicable.
- (d) Percentage of total homes passed that subscribe to television services.
- (e) Percentage of two-way homes passed that subscribe to broadband internet or fixed-line telephony services.
- (f) Percentage of total customers that subscribe to two services (double-play customers) or three services (triple-play customers) offered by our operations (video, broadband internet and fixed-line telephony), as applicable.

Operating Data Glossary

Customer Relationships – The number of customers who receive at least one of our video, internet or telephony services that we count as RGUs, without regard to which or to how many services they subscribe. To the extent that RGU counts include EBU adjustments, we reflect corresponding adjustments to our customer relationship counts. For further information regarding our EBU calculation, see Additional General Notes below. Customer relationships generally are counted on a unique premises basis. Accordingly, if an individual receives our services in two premises (e.g., a primary home and a vacation home), that individual generally will count as two customer relationships. We exclude mobile-only customers from customer relationships.

Homes Passed – Homes, residential multiple dwelling units or commercial units that can be connected to our networks without materially extending the distribution plant. Certain of our homes passed counts are based on census data that can change based on either revisions to the data or from new census results.

Internet (Broadband) RGU – A home, residential multiple dwelling unit or commercial unit that receives internet services over our network.

Mobile Subscribers – Our mobile subscriber count represents the number of active SIM cards in service rather than services provided. For example, if a mobile subscriber has both a data and voice plan on a smartphone this would equate to one mobile subscriber. Alternatively, a subscriber who has a voice and data plan for a mobile handset and a data plan for a laptop (via a dongle) would be counted as two mobile subscribers. Customers who do not pay a recurring monthly fee are excluded from our mobile telephony subscriber counts after periods of inactivity of 60 days. A portion of our mobile subscribers receive mobile services pursuant to prepaid contracts.

RGU – RGU is separately a video RGU, internet RGU or telephony RGU. A home, residential multiple dwelling unit, or commercial unit may contain one or more RGUs. For example, if a residential customer subscribed to our video service, fixed-line telephony service and broadband internet service, the customer would constitute three RGUs. RGUs are generally counted on a unique premises basis such that a given premises does not count as more than one RGU for any given service. On the other hand, if an individual receives one of our services in two premises (e.g., a primary home and a vacation home), that individual will count as two RGUs for that service. Each bundled video, internet or telephony service is counted as a separate RGU regardless of the nature of any bundling discount or promotion. Non-paying subscribers are counted as RGUs during their free promotional service period. Some of these subscribers may choose to disconnect after their free service period. Services offered without charge on a long-term basis (e.g., VIP subscribers or free service to employees) generally are not counted as RGUs. We do not include subscriptions to mobile services in our externally reported RGU counts. In this regard, our RGU counts exclude our separately reported postpaid and prepaid mobile subscribers.

SOHO - Small office/ home office customers.

Telephony RGU – A home, residential multiple dwelling unit or commercial unit that receives voice services over our network. Telephony RGUs exclude mobile subscribers.

Two-way Homes Passed – Homes passed by those sections of our networks that are technologically capable of providing two-way services, including video, internet and telephony services.

Video RGU – A home, residential multiple dwelling unit or commercial unit that receives our video service over our network primarily via a digital video signal while subscribing to any recurring monthly service that requires the use of encryption-enabling technology. Video RGUs that are not counted on an EBU basis are generally counted on a unique premises basis. For example, a subscriber with one or more set-top boxes that receives our video service in one premises is generally counted as just one RGU.

Additional General Notes:

We provide telephony, broadband internet, data, video or other B2B services. Certain of our B2B service revenue is derived from SOHO customers that pay a premium price to receive enhanced service levels along with video, internet or telephony services that are the same or similar to the mass marketed products offered to our residential subscribers. All mass marketed products provided to SOHO customers, whether or not accompanied by enhanced service levels and/or premium prices, are included in the respective RGU and customer counts of our operations, with only those services provided at premium prices considered to be “SOHO RGUs” or “SOHO customers.” To the extent our existing customers upgrade from a residential product offering to a SOHO product offering, the number of SOHO RGUs and SOHO customers will increase, but there is no

impact to our total RGU or customer counts. With the exception of our B2B SOHO customers, we generally do not count customers of B2B services as customers or RGUs for external reporting purposes.

Certain of our residential and commercial RGUs are counted on an EBU basis, including residential multiple dwelling units and commercial establishments, such as bars, hotels, and hospitals. Our EBUs are generally calculated by dividing the bulk price charged to accounts in an area by the most prevalent price charged to non-bulk residential customers for the comparable tier of service. As such, we may experience variances in our EBU counts solely as a result of changes in rates.

While we take appropriate steps to ensure that subscriber and homes passed statistics are presented on a consistent basis and accurate basis at any given balance sheet date, due to (i) the nature and pricing of products and services, (ii) the distribution platform, (iii) billing systems, (iv) bad debt collection experience and (v) other factors, there is complexity to the subscriber and homes passed counting process. We periodically review our subscriber and homes passed counting policies and underlying systems to improve the accuracy and consistency of the data reported on a prospective basis. Accordingly, we may from time to time make appropriate adjustments to our subscriber and homes passed statistics based on those reviews.

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

See the Glossary of defined terms at the beginning of this Annual Report.

The following discussion and analysis, which should be read in conjunction with our consolidated financial statements, is intended to assist in providing an understanding of our results of operations and financial condition and is organized as follows:

- *Overview.* This section provides a general description of our business and recent events.
- *Results of Operations.* This section provides an analysis of our results of operations for the years ended December 31, 2021 and 2020.
- *Liquidity and Capital Resources.* This section provides an analysis of our liquidity, consolidated statements of cash flows and contractual commitments.

Unless otherwise indicated, operational data (including subscriber statistics) is presented as of December 31, 2021.

Overview

General

We are a provider of fixed and mobile telecommunications services to residential and business customers in Puerto Rico and the U.S. Virgin Islands. On October 31, 2020, we closed the AT&T Acquisition at which point we began to (i) provide mobile services and (ii) operate in the U.S. Virgin Islands. As further described in note 1 to our consolidated financial statements, we are an indirect wholly-owned subsidiary of Liberty Latin America.

Operations

At December 31, 2021, we (i) owned and operated fixed networks that passed 1,160,200 homes and served 977,100 RGUs, comprising 478,900 broadband internet subscribers, 245,700 video subscribers and 252,500 fixed-line telephony subscribers and (ii) served 1,022,400 mobile subscribers.

COVID-19

In December 2019, COVID-19 was reported in Wuhan, China. On March 11, 2020, the World Health Organization declared the outbreak a “pandemic,” pointing to the sustained risk of further global spread. Although we have had some impacts due to resulting lockdowns, COVID-19 has not had a material impact on our financial position, results of operations or liquidity through December 31, 2021. Given COVID-19 continues to evolve, the extent to which COVID-19 may further impact our financial condition or results of operations continues to be uncertain and cannot be predicted at this time. The heightened volatility of global markets resulting from COVID-19 further expose us to risks and uncertainties.

Strategy and Management Focus

From a strategic perspective, we are seeking to build or acquire broadband communications and mobile businesses that have strong prospects for future growth. As discussed further under *Liquidity and Capital Resources—Capitalization* below, we also seek to maintain our debt at levels that provide for attractive equity returns without assuming undue risk.

We strive to achieve “organic” revenue and customer growth in our operations by developing and marketing bundled entertainment, information and communications services, and extending and upgrading the quality of our network where appropriate. As we use the term, organic growth excludes the estimated impact of acquisitions and disposals, if any. While we seek to increase our customer base, we also seek to maximize the average revenue we receive from each household or business by increasing the penetration of our video, broadband internet, fixed-line telephony and mobile services with existing customers through product bundling and up-selling.

We are engaged in the Liberty Latin America Network Extensions program. The Network Extensions will occur in phases with priority given to the most accretive expansion opportunities. During 2021, our network extension and upgrade programs

passed approximately 22,600 homes across our footprint. Depending on a variety of factors, including the financial and operational results of the programs, the Network Extensions may be continued, modified or cancelled at our discretion.

For information regarding our expectation with regard to property and equipment additions as a percent of revenue during 2022, see *Liquidity and Capital Resources—Consolidated Statements of Cash Flows* below.

Competition and Other External Factors

We are experiencing significant competition from other telecommunications operators and other communication service providers in our markets. High levels of sovereign debt in the U.S. and Puerto Rico, combined with weak growth and high unemployment, could potentially lead to fiscal reforms (including austerity measures), tax and levy increases, sovereign debt restructurings, currency instability, increased counterparty credit risk, high levels of volatility and disruptions in the credit and equity markets, as well as other outcomes that might adversely impact our company. The occurrence of any of these events could have an adverse impact on, among other matters, our liquidity and cash flows.

Internal Controls and Procedures

Management identified the following material weaknesses in internal control over financial reporting, which continue to exist as of December 31, 2021:

- The Company did not have a sufficient number of resources with the appropriate skills and knowledge to adequately support the organization in the operation of internal controls over financial reporting.
- The Company did not have an effective information and communication process to identify, capture and process relevant information necessary for financial accounting and reporting.
- The Company did not i) establish effective GITCs, specifically program change controls and access controls, that support the consistent operation of the Company's IT operating systems, databases and IT applications, and end user computing over all financial reporting, and (ii) have policies and procedures through which GITCs are deployed across the organization. Automated process-level controls and manual controls dependent upon the accuracy and completeness of information derived from information technology systems were also rendered ineffective because they are affected by the lack of GITCs.

As a consequence, the Company did not effectively design, implement and operate process-level control activities related to procure-to-pay (including operating expenses, prepaid expenses, accounts payable, and accrued liabilities), long-lived assets, inventory and other financial reporting processes.

A material weakness is a deficiency, or a combination of deficiencies, in internal control over financial reporting, such that there is a reasonable possibility that a material misstatement of our annual or interim financial statements will not be prevented or detected on a timely basis.

These control deficiencies did not result in identified material misstatements in our consolidated financial statements as of and for the year ended December 31, 2021.

Management's Remediation Plan

We have initiated a plan to remediate the aforementioned material weakness in internal control over financial reporting as follows:

- Hire additional individuals with appropriate skills and experience.
- Enhance information and communication processes, including through information technology solutions of which include, but are not limited to, implementing new enterprise resource planning software, to ensure that information needed for financial reporting is accurate, complete, relevant, reliable, and communicated in a timely manner.
- Design and implement GITCs including program change controls and access controls, that support the consistent operation of the Company's IT operating systems, databases and IT applications, and end user computing over financial reporting, and ensure they are operating effectively to support process-level automated and manual control activities that are dependent upon information derived from IT systems.

- Enhance the design of existing control activities and implement additional process-level control activities (including controls over the procure-to-pay, long-lived assets, inventory, and other financial reporting processes) and ensure they are properly evidenced and operating effectively.

We believe that these actions and the improvements we expect to achieve, when fully implemented, will strengthen our internal control over financial reporting and remediate the remaining material weaknesses.

Remediation of Material Weaknesses

Based on the remediation actions we completed and our testing of the control improvements implemented as of December 31, 2021, we believe the following material weaknesses disclosed as of December 31, 2020 no longer exist:

- The company did not provide sufficient training related to internal control over financial reporting and the design and implementation of information technology solutions.
- The Company did not have an effective risk assessment process that successfully identified and assessed risk of misstatement to ensure controls were designed and implemented to respond to those risks. The Company did not adequately communicate the changes necessary in financial reporting and related internal control throughout its organization and to affected third parties.
- The Company did not have an effective risk assessment process that successfully identified and assessed risks of misstatement to ensure all general IT controls and the related automation were designed and implemented to respond to those risks. The Company did not adequately communicate the changes necessary in financial reporting and related general IT controls throughout its organization.
- The Company did not have an effective monitoring process to assess the consistent operation of internal control over financial reporting and to remediate known control deficiencies.
- The Company did not effectively design, implement, and operate process-level control activities related to order-to-cash (including revenue, trade receivables, and deferred revenue) and hire-to-pay (including compensation expense and accrued liabilities).

Throughout fiscal year 2021, we implemented the following measures which resulted in the remediation of these material weaknesses during the year ended December 31, 2021:

- Enhanced our training programs related to internal controls over financial reporting and the design and implementation of information technology solutions and held trainings to reinforce control concepts and responsibilities for control performers.
- Hired third-party resources to assist in training and coaching existing personnel regarding control design and execution, designing and implementing new controls, and monitoring the execution of internal controls over financial reporting.
- Enhanced our risk assessment process to include continuous activities to identify and assess risks of material misstatement to ensure that internal controls over financial reporting and all general IT controls and the related automation were designed and implemented or will be implemented to mitigate those risks.
- Designed and implemented a process to ensure that changes in financial reporting and related internal controls are identified and communicated throughout the Company and to affected third parties.
- Designed and implemented monitoring processes to ensure the consistent operation of internal control over financial reporting and to remediate known control deficiencies.
- Designed, implemented, and operated process-level control activities related to order-to-cash (including revenue, trade receivables, and deferred revenue) and hire-to-pay (including compensation expense and accrued liabilities).
- Created and published policies and procedures through which general information technology controls can be deployed across the organization.

We are committed to making further progress in our remediation efforts during 2022; however, if our remedial measures are insufficient to address the material weaknesses, or if one or more additional material weaknesses in our internal controls over financial reporting are discovered, we may be required to take additional remedial measures from our plan as disclosed above.

Results of Operations

The comparability of our operating results during 2021 and 2020 is affected by the AT&T Acquisition and the B2B Disposal. As we use the term, “organic” changes exclude the impacts of the AT&T Acquisition and the B2B Disposal, as further discussed below.

In the following discussion, we quantify the estimated impact on the operating results of the periods under comparison that is attributable to the AT&T Acquisition and the B2B Disposal. With respect to the AT&T Acquisition, organic changes and the calculations of organic change percentages exclude the operating results of the acquired entity during the first 12 months following the date of acquisition. With respect to the B2B Disposal, the prior-year period operating results of the disposed entity are excluded from organic changes and the calculations of our organic change percentages to the same extent that those operations are not included in the current year.

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.

Adjusted OIBDA

Adjusted OIBDA is a non-U.S. GAAP measure. A reconciliation of total operating income, the nearest U.S. GAAP measure, to Adjusted OIBDA is presented below.

	Year ended December 31,	
	2021	2020
	in millions	
Operating income	\$ 314.1	\$ 93.5
Share-based compensation expense	6.4	5.1
Related-party fees and allocations	64.7	15.2
Depreciation and amortization	213.4	106.2
Impairment, restructuring and other operating items, net	(3.8)	56.9
Adjusted OIBDA	<u>\$ 594.8</u>	<u>\$ 276.9</u>

The following table sets forth organic and non-organic changes in Adjusted OIBDA for the period indicated (in millions):

Adjusted OIBDA for the twelve months ending:

December 31, 2020	\$ 276.9
Organic changes related to:	
Revenue	63.2
Programming and other direct costs	(10.7)
Other operating costs and expenses	(12.4)
Non-organic increase:	
Acquisition/disposition, net	277.8
December 31, 2021	<u>\$ 594.8</u>

Revenue

We derive our revenue primarily from (i) residential fixed services, including video, broadband internet and fixed-line telephony, (ii) beginning in November 2020, residential mobile services, including inbound roaming and equipment sales, following the close of the AT&T Acquisition, and (iii) B2B services.

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

Variances in the subscription revenue that we receive from our customers are a function of (i) changes in the number of RGUs or mobile subscribers during the period and (ii) changes in ARPU. Changes in ARPU can be attributable to (i) changes in prices, (ii) changes in bundling or promotional discounts, (iii) changes in the tier of services selected, (iv) variances in subscriber usage patterns, and (v) the overall mix of fixed and mobile 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, fixed-line telephony and mobile products.

For the comparisons below, revenue variances, including changes in ARPU, were also influenced by the impacts of COVID-19, as further discussed below and in *Overview* above.

Our revenue by major category is set forth below:

	Year ended December 31,		Increase	
	2021	2020	\$	%
in millions, except percentages				
Residential fixed revenue:				
Subscription revenue:				
Video	\$ 156.7	\$ 147.2	\$ 9.5	6.5
Broadband internet	253.3	204.7	48.6	23.7
Fixed-line telephony	28.2	25.5	2.7	10.6
Total subscription revenue	438.2	377.4	60.8	16.1
Non-subscription revenue	19.3	17.7	1.6	9.0
Total residential fixed revenue	457.5	395.1	62.4	15.8
Residential mobile revenue:				
Service revenue	486.9	82.9	404.0	487.3
Interconnect, inbound roaming, equipment sales and other (a)	254.4	50.6	203.8	402.8
Total residential mobile revenue	741.3	133.5	607.8	455.3
Total residential revenue	1,198.8	528.6	670.2	126.8
B2B service revenue	220.4	89.8	130.6	145.4
Other revenue (b)	37.5	5.7	31.8	557.9
Total	<u>\$ 1,456.7</u>	<u>\$ 624.1</u>	<u>\$ 832.6</u>	<u>133.4</u>

(a) Revenue from inbound roaming was \$69 million and \$11 million, respectively.

(b) Amounts relate to revenue received from the FCC primarily related to Liberty Mobile following the closing of the AT&T Acquisition.

The details of the changes in our revenue during the year ended December 31, 2021, as compared to 2020, are set forth below (in millions):

Increase in residential fixed subscription revenue due to change in:

Average number of RGUs (a)	\$	51.4
ARPU (b)		9.4
Increase in residential fixed non-subscription revenue		1.6
Total increase in residential fixed revenue		62.4
Decrease in residential mobile service revenue		(1.5)
Decrease in residential mobile interconnect, inbound roaming, equipment sales and other (c)		(3.4)
Increase in B2B service		2.2
Increase in other revenue (d)		3.5
Total organic increase		63.2
Impact of an acquisition and a disposition, net		769.4
Total	\$	832.6

- (a) The increase is primarily attributable to higher average broadband internet and video RGUs. The higher average broadband internet RGUs are partially due to increased demand as a result of COVID-19 work-from-home mandates, which subsequently led to increased purchases of video products as a result of bundling offers.
- (b) The increase is primarily due to higher ARPU from broadband internet services, and the impact resulting from credits provided to customers during 2020 in connection with the earthquakes that impacted Puerto Rico in January 2020.
- (c) The decrease is primarily due to lower volumes of handset sales.
- (d) The increase is primarily attributable to funds received from the FCC to continue to expand and improve our fixed network in Puerto Rico.

Programming and other direct costs of services

Programming and other direct costs of services include programming and copyright costs, interconnect and access costs, equipment costs, which primarily relate to costs of mobile handsets and other devices, and other direct costs related to our operations. Programming and copyright costs, which represent a significant portion of our operating costs, may increase in future periods as a result of (i) higher costs associated with the expansion of our digital video content, including rights associated with ancillary product offerings and rights that provide for the broadcast of live sporting events, (ii) rate increases or (iii) growth in the number of our video subscribers.

The following table sets forth our organic changes in programming and other direct costs of services.

	Year ended December 31,		Increase	Increase (decrease) from:	
	2021	2020		Acquisition (disposition), net	Organic
			in millions		
Programming and copyright	\$ 109.0	\$ 91.9	\$ 17.1	\$ 10.9	\$ 6.2
Interconnect	104.3	21.9	82.4	73.1	9.3
Equipment and other	206.3	50.5	155.8	160.6	(4.8)
Total programming and other direct costs of services	\$ 419.6	\$ 164.3	\$ 255.3	\$ 244.6	\$ 10.7

- **Programming and copyright:** The organic increase is primarily attributable to higher programming rates and higher average video subscribers.

- **Interconnect:** The organic increase is primarily due to higher roaming costs, including the impact from the renegotiation of a certain roaming agreement during the fourth quarter of 2021.
- **Equipment and other:** The organic decrease is primarily due to the net effect of (i) lower equipment costs and (ii) \$1 million of equipment-related integration costs incurred in 2021.

Other operating costs and expenses

Other operating costs and expenses set forth in the table below comprise the following cost categories:

- **Personnel and contract labor-related** costs, which primarily include salary-related and cash bonus expenses, net of capitalizable labor costs, and temporary contract labor costs;
- **Network-related** expenses, which primarily include costs related to network access, system power, core network, and CPE repair, maintenance and test costs;
- **Service-related** costs, which primarily include professional services, information technology-related services, audit, legal and other services;
- **Commercial**, which primarily includes sales and marketing costs, such as advertising, commissions and other sales and marketing-related costs, and customer care costs related to outsourced call centers;
- **Facility, provision, franchise and other**, which primarily includes facility-related costs, provision for bad debt expense, franchise-related fees, bank fees, insurance, vehicle-related, travel and entertainment and other operating-related costs; and
- **Share-based compensation** costs that relate to share-based compensation expense that Liberty Latin America charged to our company with respect to share-based incentive awards held by certain of our employees, as further described in note 16 to our consolidated financial statements.

The following table sets forth our organic changes in other operating costs and expenses.

	Year ended December 31,		Increase in millions	Increase (decrease) from:	
	2021	2020		Acquisition (disposition), net	Organic
Personnel and contract labor	\$ 142.1	\$ 62.1	\$ 80.0	\$ 71.1	\$ 8.9
Network-related	40.7	6.7	34.0	31.2	2.8
Service-related	41.6	24.9	16.7	24.0	(7.3)
Commercial	52.5	19.0	33.5	27.3	6.2
Facility, provision, franchise and other	165.4	70.2	95.2	93.4	1.8
Share-based compensation expense	6.4	5.1	1.3	0.2	1.1
Total other operating costs and expenses	<u>\$ 448.7</u>	<u>\$ 188.0</u>	<u>\$ 260.7</u>	<u>\$ 247.2</u>	<u>\$ 13.5</u>

- **Personnel and contract labor:** The organic increase is primarily due to higher salaries and other personnel costs.
- **Service-related:** We incurred service-related integration costs associated with the AT&T Acquisition of \$6 million and \$7 million during 2021 and 2020, respectively. The service-related integration costs incurred during 2021 are mostly included in the increase from an acquisition (disposition), net, in the above table and are expected to grow in future periods.
- **Commercial:** The organic increase is primarily due to (i) increased marketing costs, including \$2 million of rebranding commercial-related integration costs associated with the AT&T Acquisition, and (ii) higher call center

volumes, partially attributable to work-from-home and remote learning mandates resulting from COVID-19. In addition, the 2021 increase from an acquisition (disposition), net, in the above table includes \$2 million of rebranding commercial-related integration costs associated with the AT&T Acquisition.

- **Facilities, provision, franchise and other:** The organic increase includes an increase related to a payment made during 2021 to settle certain 2011 property tax claims.

Share-based compensation expense (included in other operating costs and expenses)

Our share-based compensation expense primarily includes amounts that Liberty Latin America charged to our company with respect to share-based incentive awards held by certain of our employees, as further described in note 16 to our consolidated financial statements. We recognized share-based compensation expense of \$6 million and \$5 million during 2021 and 2020, respectively.

Related-party fees and allocations

Our share-based compensation expense primarily includes amounts allocated to our company from Liberty Latin America, as further described in note 16 to our consolidated financial statements. We recognized related-party fees and allocations of \$65 million and \$15 million during 2021 and 2020, respectively.

Depreciation and amortization expense

Our depreciation and amortization expense increased \$107 million or 100.9% during 2021, as compared to 2020, primarily due to the impact of assets acquired following the closing of the AT&T Acquisition.

Impairment, restructuring and other operating items, net

We recognized a net gain of \$4 million associated with impairment, restructuring and other operating items, net, during 2021, as compared to expense of \$57 million during 2020. The 2021 amount primarily relates to the net effect of (i) a gain of \$9 million on the B2B Disposal that was completed in January 2021 and (ii) direct acquisition costs. The 2020 amount primarily includes direct acquisition costs related to the AT&T Acquisition and legal fees associated with the divestiture of the B2B business required under the AT&T Acquisition.

For additional information regarding the AT&T Acquisition and related divestiture, see note 4 to our consolidated financial statements.

Interest expense

Our interest expense increased \$2 million during 2021, as compared to 2020, primarily due to the net effect of (i) higher amortization of deferred financing costs, (ii) higher average debt balances, offset by lower weighted average interest rates, and (iii) lower amortization of discounts and premiums, net.

For additional information regarding our outstanding indebtedness, see note 9 to our consolidated financial statements.

It is possible that the interest rates on (i) any new borrowings could be higher than the current interest rates on our existing indebtedness and (ii) our variable-rate indebtedness could increase in future periods. As further discussed in note 5 to our consolidated financial statements, we use derivative instruments to manage our interest rate risks.

Interest income — third-party

We recognized third-party interest income of \$5 million during 2020, which primarily relates to interest generated on restricted cash held in escrow in advance of the closing of the AT&T Acquisition.

Interest income — related-party

We recognized third-party interest income of \$10 million during 2021, which relates to interest generated on the LiLAC Services Receivable. For information regarding the LiLAC Services Receivable, see note 16 to our consolidated financial statements.

Realized and unrealized gains or losses on derivative instruments, net

Our realized and unrealized gains or losses on derivative instruments primarily include (i) 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 and (ii) realized gains or losses upon the full or partial settlement of the derivative contracts. The details of our realized and unrealized gains (losses) on derivative instruments are as follows:

	Year ended December 31,	
	2021	2020
	in millions	
Interest rate derivative contracts (a)	\$ 15.7	\$ (80.1)
Weather Derivative (b)	(12.8)	(3.5)
Total	<u>\$ 2.9</u>	<u>\$ (83.6)</u>

- (a) The gains (losses) during 2021 and 2020 primarily relate to changes in market interest rates in the U.S. dollar market. In addition, the gains (losses) during 2021 and 2020 include net gain (losses) of (\$3 million) and \$3 million, respectively, resulting from changes in our credit risk valuation adjustments. In addition, the gain during the 2020 period is primarily due to increased credit risk stemming from market reaction to the COVID-19 outbreak.
- (b) Amounts represent the amortization of the premium associated with our Weather Derivative.

For additional information regarding our derivative instruments, see notes 5 and 6 to our consolidated financial statements.

Loss on debt modification and extinguishment

We recognized a loss on debt modification and extinguishment of \$20 million during 2021 associated with the write-off of unamortized discounts and deferred financing costs related to the repayment of (i) the 2026 SPV Credit Facility and (ii) a portion of the 2027 LPR Senior Secured Notes.

For additional information regarding our loss on debt modification and extinguishment, see note 9 to our consolidated financial statements.

Other expense, net

Our other expense, net, was not material during 2021 and 2020.

Income tax benefit or expense

We recognized income tax benefit (expense) of (\$81 million) and \$40 million during 2021 and 2020, respectively.

The income tax expense attributable to our income before income taxes during 2021 differs from the expected income tax expense of \$33 million, primarily due to detrimental effects of (i) jurisdictional rate differences, (ii) permanent tax differences, such as non-deductible expenses and (iii) inclusion of withholding taxes on cross-border payments.

The income tax benefit attributable to our loss before income taxes during 2020 differs from the expected income tax benefit of \$29 million, primarily due to (i) the net favorable changes in our valuation allowance assessment, offset by (i) net unfavorable permanent differences including non-deductible acquisition costs and (ii) withholding taxes on cross border transactions.

For additional information regarding our income tax benefit (expense), see note 14 to our consolidated financial statements.

Net earnings or loss

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

	Year ended December 31,	
	2021	2020
	in millions	
Operating income	<u>\$ 314.1</u>	<u>\$ 93.5</u>
Net non-operating expenses	<u>\$ (159.0)</u>	<u>\$ (230.4)</u>
Income tax benefit (expense)	<u>\$ (81.4)</u>	<u>\$ 40.0</u>
Net earnings (loss)	<u>\$ 73.7</u>	<u>\$ (96.9)</u>

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

Subject to the limitations included in our various debt instruments, we expect to maintain our debt at current levels. As a result, we expect that we will continue to report significant levels of interest expense for the foreseeable future.

Liquidity and Capital Resources

Sources and Uses of Cash

At December 31, 2021 we had \$158 million of cash and cash equivalents and \$2 million of restricted cash. In addition to cash and cash equivalents, the primary sources of our liquidity are cash provided by operations and borrowing availability under the LPR Revolving Credit Facility. For the details of the borrowing availability under the LPR Revolving Credit Facility, see note 9 to our consolidated financial statements. The aforementioned sources of liquidity may be supplemented in certain cases by contributions and/or loans from Liberty Latin America and its unrestricted subsidiaries.

Our liquidity is generally used to fund capital expenditures, debt service requirements and income tax payments. From time to time, we may also require liquidity in connection with (i) the repayment of any outstanding debt, (ii) acquisitions and other investment opportunities, (iii) loans to Liberty Latin America, (iv) capital distributions to Liberty Latin America and other equity owners or (v) satisfaction of contingent liabilities. We continually evaluate different financing alternatives and market conditions and may decide to enter into new credit facilities, access debt capital markets or incur other indebtedness from time to time. No assurance can be given that any external funding would be available to us on favorable terms, or at all.

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

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

Capitalization

For the year ended December 31, 2021, our consolidated net leverage ratio was 4.1x, as specified in, and calculated in accordance with our credit agreements.

Our ability to service or refinance our debt and to maintain compliance with the leverage covenants in our credit facilities is dependent primarily on our ability to maintain Covenant EBITDA (as defined in the LPR Credit Facilities agreement) and to achieve adequate returns on our property and equipment additions and acquisitions. In addition, our ability to obtain additional debt financing is limited by incurrence-based leverage covenants contained in our various debt instruments. For example, if our

Covenant EBITDA were to decline, our ability to obtain additional debt could be limited. No assurance can be given that we would have sufficient sources of liquidity, or that any external funding would be available on favorable terms, or at all, to fund any such required repayment. At December 31, 2021, we were in compliance with our debt covenants. We do not anticipate any instances of non-compliance with respect to our debt covenants that would have a material adverse impact on our liquidity during the next 12 months.

At December 31, 2021, the outstanding principal amount of our debt, together with our finance lease obligations, aggregated \$2,608 million, including \$2,605 million that is not due until 2027 or thereafter. For additional information concerning our debt, including our debt maturities, see note 9 to our consolidated financial statements.

The weighted average interest rate in effect at December 31, 2021 for all borrowings outstanding pursuant to each debt instrument, including any applicable margin, was 5.5%. The interest rate is based on stated rates and does not include the impact of derivative instruments, deferred financing costs, original issue premiums and commitment fees, all of which affect our overall cost of borrowing. The weighted average impact of the derivative instruments, excluding forward-starting derivative instruments, on our borrowing costs at December 31, 2021 was an increase of 40 basis points. Including the effects of derivative instruments, original issue premiums and commitment fees, but excluding the impact of financing costs, the weighted average interest rate on our indebtedness was 6.0% at December 31, 2021.

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

Consolidated Statements of Cash Flows

Summary. Our 2021 and 2020 consolidated statements of cash flows are summarized as follows:

	Year ended December 31,		Change
	2021	2020	
	in millions		
Net cash provided by operating activities.....	\$ 333.4	\$ 4.1	\$ 329.3
Net cash used by investing activities.....	(448.8)	(1,975.2)	1,526.4
Net cash provided by financing activities.....	196.0	744.5	(548.5)
Net increase (decrease) in cash, cash equivalents and restricted cash.....	<u>\$ 80.6</u>	<u>\$ (1,226.6)</u>	<u>\$ 1,307.2</u>

Operating Activities. The increase in net cash provided by our operating activities is primarily attributable to the net effect of (i) an increase in Adjusted OIBDA and (ii) a net increase related to working capital, including (a) various items in 2020 related to the AT&T Acquisition, as further described below, (b) higher cash payments related to derivative instruments and (b) higher cash paid for taxes.

The cash outflow from changes in operating assets set forth in our consolidated statement of cash flows for the year ended December 31, 2020 primarily relates to (i) \$73 million of cash used for the purchase of prepaid roaming services in conjunction with the AT&T Acquisition and (ii) increases in trade receivables, note receivables and receivables from AT&T following the closing of AT&T Acquisition. The cash inflow from changes in operating liabilities as set forth in our consolidated statement of cash flows for the year ended December 31, 2020 primarily relates to increases in trade payables and other current liabilities following the closing of AT&T Acquisition. For additional information relating to the purchase of prepaid roaming services, see note 4 to our consolidated financial statements.

Investing Activities. Our cash used during 2021 includes the net effect of (i) \$257 million of cash loaned to another subsidiary of Liberty Latin America, as further discussed in note 16 to our consolidated financial statements, (ii) \$212 million of cash paid related to capital expenditures and (iii) \$20 million of cash received in connection with the B2B Disposal, as further discussed in note 4 to our consolidated financial statements. Our cash used during 2020 includes (i) \$1,886 million of cash paid related to the AT&T Acquisition and (ii) \$89 million of cash paid related to capital expenditures. For additional information regarding the AT&T Acquisition, see note 4 to our consolidated financial statements.

The capital expenditures that we report in our consolidated statements of cash flows, which includes cash paid for property and equipment and intangible assets acquired not part of an acquisition, do not include amounts that are financed under finance lease arrangements. Instead, these amounts are reflected as non-cash additions to our property and equipment when the underlying assets are delivered and as repayments of debt when the principal is repaid. In the following discussion, we refer to (i) our capital expenditures, as reported in our consolidated statements of cash flows, and (ii) our total property and equipment additions, which include our capital expenditures on an accrual basis and amounts financed under finance lease arrangements.

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

	Year ended December 31,	
	2021	2020
	in millions	
Property and equipment additions	\$ 219.2	\$ 97.3
Acquisition of intangible assets	—	7.8
Changes in current liabilities related to capital expenditures	(7.5)	(15.9)
Capital expenditures	<u>\$ 211.7</u>	<u>\$ 89.2</u>

The increase in property and equipment additions during 2021, as compared to 2020, is primarily due a \$103 million increase in additions in our mobile operations following the AT&T Acquisition, mostly due to (i) new build and upgrade activity, (ii) capacity-related additions and (iii) baseline-related additions. During 2021 and 2020, our property and equipment additions represented 15.0% and 15.6% of our revenue, respectively.

Financing Activities. During 2021, we generated \$196 million of net cash from financing activities primarily due to the net effect of (i) \$309 million of net borrowings of third-party debt and finance lease obligations, as further described in note 9 to our consolidated financial statements, which was slightly offset by \$21 million related to payments of financing costs, (ii) a \$59 million distribution to another subsidiary of Liberty Latin America and (iii) \$32 million of net cash paid for derivatives related to the settlement of interest rate swaps in connection with the refinancing of the LPR Credit Facilities, as further described in note 5 to our consolidated financial statements.

During 2020, we generated \$745 million of net cash from financing activities primarily due to the net effect of (i) \$602 million of cash contributions, as further described in note 15 to our consolidated financial statements, (ii) \$90 million of net borrowings of third-party debt, as further described in note 9 to our consolidated financial statements, which was slightly offset by \$20 million related to payments of financing costs, and (iii) \$70 million of borrowings of related-party debt, as further described in note 16 to our consolidated financial statements.

Off Balance Sheet Arrangements

In the ordinary course of business, we may provide (i) indemnifications to our lenders, our vendors and certain other parties and (ii) performance and/or financial guarantees to local municipalities, our customers and vendors. Historically, these arrangements have not resulted in our company making any material payments and we do not believe that they will result in material payments in the future.

Contractual Commitments

The following table sets forth our debt and certain other contractual obligations and commitments as of December 31, 2021:

	Payments due by period:				
	Total	Less than 1 year	1-3 years in millions	3-5 years	More than 5 years
Debt (excluding interest)	\$ 2,601.0	\$ —	\$ —	\$ —	\$ 2,601.0
Finance leases (excluding interest)	6.5	0.5	1.2	1.4	3.4
Operating leases	227.7	35.2	62.4	49.4	80.7
Total	<u>\$ 2,835.2</u>	<u>\$ 35.7</u>	<u>\$ 63.6</u>	<u>\$ 50.8</u>	<u>\$ 2,685.1</u>
Projected cash interest payments on third-party debt and finance lease obligations (a)	<u>\$ 971.2</u>	<u>\$ 144.6</u>	<u>\$ 289.2</u>	<u>\$ 289.0</u>	<u>248.4</u>

- (a) Amounts are based on interest rates, interest payment dates, commitment fees and contractual maturities in effect as of December 31, 2021. These amounts are presented for illustrative purposes only and will likely differ from the actual cash payments required in future periods. In addition, the amounts presented do not include the impact of our derivative contracts.

For information concerning our debt and finance lease obligations, operating leases and commitments see notes 9, 10 and 17, respectively, to our consolidated financial statements.

In addition to the commitments set forth in the table above, we have commitments under derivative instruments, pursuant to which we expect to make payments in future periods. For information regarding projected cash flows associated with our derivative instruments, see *Projected Cash Flows Associated with Derivative Instruments* below. For information regarding our derivative instruments, including the net cash paid in connection with these instruments during 2021, 2020 and 2019, see note 5 to our 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 December 31, 2021. 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 5 to our consolidated financial statements.

	Payments due during:						Total
	2022	2023	2024	2025 in millions	2026	Thereafter	
Interest-related (a)	<u>\$ 6.1</u>	<u>\$ 14.5</u>	<u>\$ 11.2</u>	<u>\$ 11.2</u>	<u>\$ 11.2</u>	<u>\$ 54.1</u>	<u>\$ 108.3</u>

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

Independent Auditors' Report

The Board of Directors
Liberty Communications PR Holding LP:

Report on the Audit of the Consolidated Financial Statements

Opinion

We have audited the consolidated financial statements of Liberty Communications PR Holding LP and its subsidiaries (the Company), which comprise the consolidated balance sheets as of December 31, 2021 and 2020, and the related consolidated statements of operations, changes in partners' capital, and cash flows for each of the years in the three-year period ended December 31, 2021, and the related notes to the consolidated financial statements.

In our opinion, the accompanying consolidated financial statements present fairly, in all material respects, the financial position of the Company as of December 31, 2021 and 2020, and the results of its operations and its cash flows for each of the years in the three-year period ended December 31, 2021, in accordance with U.S. generally accepted accounting principles.

Basis for Opinion

We conducted our audits in accordance with auditing standards generally accepted in the United States of America (GAAS). Our responsibilities under those standards are further described in the Auditors' Responsibilities for the Audit of the consolidated Financial Statements section of our report. We are required to be independent of the Company and to meet our other ethical responsibilities, in accordance with the relevant ethical requirements relating to our audits. We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinion.

Responsibilities of Management for the Consolidated Financial Statements

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

In preparing the consolidated financial statements, management is required to evaluate whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for one year after the date that the consolidated financial statements are available to be issued.

Auditors' Responsibilities for the Audit of the Consolidated Financial Statements

Our objectives are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and to issue an auditors' report that includes our opinion. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS will always detect a material misstatement when it exists. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentations, or the override of internal control. Misstatements are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment made by a reasonable user based on the consolidated financial statements.

In performing an audit in accordance with GAAS, we:

- Exercise professional judgment and maintain professional skepticism throughout the audit.
- Identify and assess the risks of material misstatement of the consolidated financial statements, whether due to fraud or error, and design and perform audit procedures responsive to those risks. Such procedures include examining, on a test basis, evidence regarding the amounts and disclosures in the consolidated financial statements.
- Obtain an understanding of internal control relevant to the audit 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 Company's internal control. Accordingly, no such opinion is expressed.

- Evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluate the overall presentation of the consolidated financial statements.
- Conclude whether, in our judgment, there are conditions or events, considered in the aggregate, that raise substantial doubt about the Company's ability to continue as a going concern for a reasonable period of time.

We are required to communicate with those charged with governance regarding, among other matters, the planned scope and timing of the audit, significant audit findings, and certain internal control related matters that we identified during the audit.

Other Information Included in the Annual Report

Management is responsible for the other information included in the annual report. The other information comprises the information included in the annual report but does not include the consolidated financial statements and our auditors' report thereon. Our opinion on the consolidated financial statements does not cover the other information, and we do not express an opinion or any form of assurance thereon.

In connection with our audit of the consolidated financial statements, our responsibility is to read the other information and consider whether a material inconsistency exists between the other information and the consolidated financial statements, or the other information otherwise appears to be materially misstated. If, based on the work performed, we conclude that an uncorrected material misstatement of the other information exists, we are required to describe it in our report.

/s/ KPMG LLP

Denver, Colorado
March 22, 2022

LIBERTY COMMUNICATIONS PR HOLDING LP
CONSOLIDATED BALANCE SHEETS

December 31,
2021 **2020**
in millions

ASSETS

Current assets:		
Cash and cash equivalents	\$ 157.7	\$ 79.4
Trade receivables, net of allowances of \$8.9 million and \$9.9 million, respectively	127.2	82.5
Current notes receivable, net of allowances of \$9.6 million and \$8.3 million, respectively	83.8	77.5
Other current receivables	52.7	65.9
Prepaid expenses	17.8	16.8
Inventories	18.7	19.8
Other current assets, net	64.8	67.0
Total current assets	522.7	408.9
Property and equipment, net	1,194.0	1,096.8
Goodwill	498.3	629.9
Intangible assets not subject to amortization	1,592.2	1,435.8
Customer relationships, net	88.9	113.3
Related-party notes receivable	257.4	—
Other assets, net	376.9	359.7
Total assets	<u>\$ 4,530.4</u>	<u>\$ 4,044.4</u>

LIABILITIES AND PARTNERS' CAPITAL

Current liabilities:		
Accounts payable	\$ 172.4	\$ 142.7
Deferred revenue	49.4	58.1
Third-party accrued interest	37.0	22.0
Derivative instruments	10.4	28.9
Current portion of operating lease obligations	26.7	31.6
Current portion of third-party debt and finance lease obligations	0.5	0.1
Other accrued and current liabilities	188.6	93.0
Total current liabilities	485.0	376.4
Long-term debt and finance lease obligations	2,572.2	2,261.3
Deferred tax liabilities	450.7	349.0
Other long-term liabilities	244.3	294.3
Total liabilities	3,752.2	3,281.0
Commitments and contingencies		
Partners' capital	778.2	763.4
Total liabilities and partners' capital	<u>\$ 4,530.4</u>	<u>\$ 4,044.4</u>

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

LIBERTY COMMUNICATIONS PR HOLDING LP
CONSOLIDATED STATEMENTS OF OPERATIONS

	Year ended December 31,		
	2021	2020	2019
	in millions		
Revenue	\$ 1,456.7	\$ 624.1	\$ 412.1
Operating costs and expenses (exclusive of depreciation and amortization, shown separately below):			
Programming and other direct costs of services	419.6	164.3	92.8
Other operating costs and expenses	448.7	188.0	118.3
Related-party fees and allocations	64.7	15.2	9.5
Depreciation and amortization	213.4	106.2	91.1
Impairment, restructuring and other operating items, net	(3.8)	56.9	4.7
	<u>1,142.6</u>	<u>530.6</u>	<u>316.4</u>
Operating income	<u>314.1</u>	<u>93.5</u>	<u>95.7</u>
Non-operating income (expense):			
Interest expense	(151.3)	(149.3)	(78.0)
Interest income:			
Third-party	—	4.5	3.4
Related-party	10.2	—	—
Realized and unrealized gains (losses) on derivative instruments, net	2.9	(83.6)	(27.9)
Loss on debt extinguishment	(20.3)	—	(6.7)
Other expense, net	(0.5)	(2.0)	(0.5)
	<u>(159.0)</u>	<u>(230.4)</u>	<u>(109.7)</u>
Earnings (loss) before income taxes	<u>155.1</u>	<u>(136.9)</u>	<u>(14.0)</u>
Income tax benefit (expense)	<u>(81.4)</u>	<u>40.0</u>	<u>(2.7)</u>
Net earnings (loss)	<u>\$ 73.7</u>	<u>\$ (96.9)</u>	<u>\$ (16.7)</u>

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

LIBERTY COMMUNICATIONS PR HOLDING LP
CONSOLIDATED STATEMENTS OF CHANGES IN PARTNERS' CAPITAL

	<u>Partners' capital</u> <u>in millions</u>
Balance at January 1, 2019	\$ 211.3
Net loss	(16.7)
Excess of consideration paid over carrying value for certain B2B operations transferred from entities under common control	(6.4)
Balance at December 31, 2019	188.2
Accounting change (note 2)	0.3
Balance at January 1, 2020, as adjusted for accounting change	188.5
Net loss	(96.9)
Cash and non-cash equity contributions	671.8
Balance at December 31, 2020	763.4
Net earnings	73.7
Cash distribution to Partners	(58.9)
Balance at December 31, 2021	<u>\$ 778.2</u>

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

LIBERTY COMMUNICATIONS PR HOLDING LP
CONSOLIDATED STATEMENTS OF CASH FLOWS

	Year ended December 31,		
	2021	2020	2019
	in millions		
Cash flows from operating activities:			
Net earnings (loss).....	\$ 73.7	\$ (96.9)	\$ (16.7)
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities:			
Depreciation and amortization.....	213.4	106.2	91.1
Impairment.....	0.2	1.5	—
Gain on B2B Disposal.....	(8.7)	—	—
Amortization of debt financing costs and discounts.....	5.8	5.4	3.0
Realized and unrealized losses (gains) on derivative instruments, net.....	(2.9)	83.6	27.9
Loss on debt extinguishment.....	20.3	—	6.7
Deferred income tax expense (benefit).....	63.4	(50.1)	(2.8)
Insurance receipts.....	—	—	18.4
Changes in operating assets and liabilities:			
Receivables and other operating assets.....	(69.2)	(181.1)	4.1
Payables and accruals.....	37.4	135.5	8.4
Net cash provided by operating activities.....	333.4	4.1	140.1
Cash flows from investing activities:			
Capital expenditures.....	(211.7)	(89.2)	(75.9)
Loans to related-parties.....	(257.4)	—	—
Cash received on B2B Disposal.....	20.3	—	—
Cash paid in connection with the AT&T Acquisition.....	—	(1,886.0)	—
Consideration paid in connection with the C&W Transfer.....	—	—	(16.1)
Recovery on damaged or destroyed property and equipment.....	—	—	8.5
Net cash used by investing activities.....	(448.8)	(1,975.2)	(83.5)
Cash flows from financing activities:			
Cash contributions (distributions).....	(58.9)	601.8	—
Borrowings of third-party debt.....	440.0	152.5	1,267.5
Repayments of third-party debt and finance lease obligations.....	(131.4)	(62.5)	(20.0)
Borrowings of related-party debt.....	—	70.0	—
Payment of financing costs.....	(21.3)	(19.6)	(17.9)
Net cash paid related to derivative instruments.....	(32.4)	—	—
Other financing activities.....	—	2.3	—
Net cash provided by financing activities.....	196.0	744.5	1,229.6
Net increase (decrease) in cash, cash equivalents and restricted cash.....			
	80.6	(1,226.6)	1,286.2
Cash, cash equivalents and restricted cash:			
Beginning of year.....	79.4	1,306.0	19.8
End of year.....	\$ 160.0	\$ 79.4	\$ 1,306.0
Cash paid for interest - third-party.....			
	\$ 130.5	\$ 140.0	\$ 70.0
Cash paid for taxes.....	\$ 21.3	\$ 7.0	\$ 4.7

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

LIBERTY COMMUNICATIONS PR HOLDING LP
Notes to Consolidated Financial Statements
December 31, 2021, 2020 and 2019

(1) Basis of Presentation

See the Glossary of defined terms at the beginning of this Annual Report for terms used throughout the consolidated financial statements and related notes.

General

Liberty PR, is an indirect wholly-owned subsidiary of Liberty Latin America and holds a (i) 100% interest in Cayman Holding and (ii) a 100% interest in LCPR Ventures. Cayman Holding and LCPR Ventures jointly own LCPR, while LCPR Ventures wholly-owns LLA Holdco, the direct parent of Liberty Mobile. LCPR and LLA Holdco and its subsidiaries comprise the Senior Secured Covenant Group.

We provide fixed and mobile telecommunications services to residential and business customers in Puerto Rico and the U.S. Virgin Islands through (i) LCPR and (ii) as of October 31, 2020 and as further described in note 4, Liberty Mobile and its subsidiaries.

The accompanying consolidated financial statements have been prepared in accordance with U.S. GAAP.

These consolidated financial statements reflect our consideration of the accounting and disclosure implications of subsequent events through March 22, 2022, the date of issuance.

Correction of Immaterial Errors

During 2021, we identified certain errors in our previously reported consolidated financial statements, primarily related to the understatement of depreciation and amortization of long-lived assets. The errors are predominantly related to the understatement of depreciation expense associated with property and equipment that was acquired in connection with business combination transactions that closed during 2012 and 2015. The errors did not have an impact on our revenue, key performance measure (Adjusted OIBDA), cash flow from operations or property and equipment additions. We have completed a quantitative and qualitative evaluation of the errors and concluded that they are immaterial to the previously issued consolidated financial statements. Notwithstanding this evaluation, we have revised our December 31, 2020 consolidated balance sheet and our consolidated statements of operations, changes in partners' capital and cash flows for the years ended December 31, 2020 and 2019 for these errors. The tables below set forth the adjustments to the primary consolidated financial statement line items resulting from these adjustments. In addition, we recorded an adjustment to increase our January 1, 2019 partners' capital by \$93 million, which represents the cumulative correction of the immaterial errors prior to January 1, 2019.

	Year ended December 31, 2020			Year ended December 31, 2019		
	As Previously Reported	Adjustments	As Adjusted	As Previously Reported	Adjustments	As Adjusted
	in millions					
Operating income	\$ 94.2	\$ (0.7)	\$ 93.5	\$ 101.4	\$ (5.7)	\$ 95.7
Earnings (loss) before income taxes ..	\$ (136.2)	\$ (0.7)	\$ (136.9)	\$ (8.3)	\$ (5.7)	\$ (14.0)
Net earnings (loss)	\$ (94.2)	\$ (2.7)	\$ (96.9)	\$ (10.6)	\$ (6.1)	\$ (16.7)

	December 31, 2020		
	As Previously Reported	Adjustments	As Adjusted
	in millions		
Total assets	\$ 4,183.7	\$ (139.3)	\$ 4,044.4
Total liabilities	\$ 3,318.3	\$ (37.3)	\$ 3,281.0
Total partners' capital	\$ 865.4	\$ (102.0)	\$ 763.4

(2) Accounting Changes and Recent Accounting Pronouncements

Accounting Changes

ASU 2016-13

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments—Credit Losses—Measurement of Credit Losses on Financial Instruments (ASU 2016-13)*, as amended by (i) ASU No. 2019-10, *Financial Instruments—Credit Losses (Topic 326), Derivatives and Hedging (Topic 815), and Leases (Topic 842): Effective Dates*, which amended certain effective dates, and (ii) ASU No. 2019-11, *Codification Improvements to Topic 326, Financial Instruments—Credit Losses*, which clarifies guidance around how to report expected recoveries. ASU 2016-13 replaced the incurred loss impairment methodology for recognizing credit losses with a methodology that reflects expected credit losses and requires consideration of a broader range of reasonable and supportable information to inform credit loss estimates. We are required to use a forward-looking expected credit loss model for accounts receivables, loans and other financial instruments. We adopted ASU 2016-13 effective January 1, 2020 using a modified retrospective approach through a cumulative-effect adjustment to the opening balance of our partners' capital account to align our credit loss methodology with the new standard. The comparative information for 2019 was not restated and continues to be reported under the accounting standards in effect for that period.

Under the new model, we bifurcate our receivables, unbilled revenue and contract assets based on days past due and record an allowance for current expected credit losses using average rates applied against each account's applicable aggregate balance for each aging bucket. We establish the average rates based on consideration of the actual credit loss experience over the prior 12-month period, recent collection trends, current economic conditions and other reasonable expectations of future payment delinquency.

The cumulative effect of the changes to our consolidated statement of changes in partners' capital as of January 1, 2020 was not material.

Recent Accounting Pronouncements

General

We expect to adopt the following accounting pronouncement in conjunction with Liberty Latin America.

ASU 2020-04 and ASU 2021-01

In March 2020, the FASB issued ASU No. 2020-04, *Reference Rate Reform (Topic 848): Facilitation of the Effects of Reference Rate Reform on Financial Reporting (ASU 2020-04)*, which provides optional guidance for a limited time to ease the potential accounting burden associated with transitioning away from reference rates, such as LIBOR. In January 2021, the FASB issued ASU No. 2021-01, *Reference Rate Reform (Topic 848) (ASU 2021-01)*, which clarifies certain optional expedients and exceptions in ASC 848. The expedients and exceptions provided by ASU 2020-04 and ASU 2021-01 are for the application of U.S. GAAP to contracts, hedging relationships and other transactions affected by the rate reform. In March 2021, LIBOR's regulator announced that certain tenors of USD LIBOR will continue to be published through June 30, 2023. We do not currently expect that the phase out of LIBOR will have a material impact on our consolidated financial statements.

(3) 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 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, expected credit losses, programming and copyright expenses, deferred income taxes and related valuation allowances, loss contingencies, fair value measurements, impairment assessments, capitalization of internal costs associated with construction and installation activities and useful lives of long-lived assets. Actual results could differ from those estimates.

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Reclassifications

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

Principles of Consolidation

The accompanying consolidated financial statements include our accounts and the accounts of all voting interest entities where we exercise a controlling financial interest through the ownership of a direct or indirect controlling voting interest and variable interest entities for which our company is the primary beneficiary. Intercompany accounts have been eliminated in consolidation.

Cash, Cash Equivalents and Restricted Cash

Cash equivalents consist of money market funds that are readily convertible into cash and have maturities of three months or less at the time of acquisition. We record money market funds at the net asset value as there are no restrictions on our ability, contractual or otherwise, to redeem our investments.

Restricted cash may consist of cash held in restricted accounts, including cash held as collateral for acquisitions, debt and other compensating balances, as applicable. 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. At December 31, 2021 and 2020, the total of our current and long-term restricted cash balances aggregated \$2 million and nil, respectively. Our current and long-term restricted cash balances are included in other current assets, net, and other assets, net, respectively in our consolidated balance sheets.

Cash Flow Statement

For purposes of determining the classification of cash flows in our consolidated statements of cash flows, payments or receipts on related-party receivables or loans are first applied to principal (included as cash flows from financing activities) and then to capitalized interest (included as cash flows from operating activities). In addition, interest-bearing cash advances to related parties and repayments thereof are classified as investing activities. All other related-party borrowings, advances and repayments are reflected as financing activities.

Receivables

We have trade and notes receivables that are each reported net of an allowance for expected credit losses.

Our notes receivable consist of EIP receivables due from customers under contracts that range between a period of 12 to 30 months. The long-term portion of our notes receivable, net of allowances for expected credit losses, is included in other assets, net, in our consolidated balance sheets.

Concentration of credit risk with respect to trade and notes receivables is limited due to the large number of customers.

The allowances on each of our trade and notes receivables are established using our best estimates of current expected credit losses based upon, among other things, actual credit loss experience over the prior 12-month period, recent collection trends, prevailing and anticipated economic conditions and specific customer credit risk. Receivables outstanding greater than 30 days are considered past due and we generally write-off receivables after they become past due for 365 days, with the exception of amounts due from certain governments.

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The changes in our allowance for expected credit losses associated with trade receivables are set forth below:

	Year ended December 31,		
	2021	2020	2019
	in millions		
Beginning balance	\$ 9.9	\$ 10.7	\$ 10.0
Provision for expected losses	10.6	2.7	6.4
Write-offs	(8.0)	(7.8)	(5.7)
Additions upon acquisition and other	(3.6)	4.3	—
Ending balance	<u>\$ 8.9</u>	<u>\$ 9.9</u>	<u>\$ 10.7</u>

The changes in our allowance for expected credit losses associated with our current and long-term notes receivable are set forth below:

	Year ended December 31,	
	2021	2020
	in millions	
Beginning balance	\$ 16.2	\$ —
Provision for expected losses	2.5	1.3
Additions upon acquisition	—	14.9
Ending balance	<u>\$ 18.7</u>	<u>\$ 16.2</u>

Financial Instruments

Due to the short maturities of cash and cash equivalents, trade and other receivables, notes receivable, other current assets, accounts payable, accrued liabilities and other accrued and current liabilities, their respective carrying values approximate their respective fair values. For information concerning the fair values of our derivative and debt instruments, see notes 5 and 9, respectively. For information regarding how we arrive at certain of our fair value measurements, see note 6.

Derivative Instruments

Derivative Instruments Recorded at Fair Value

Our derivative instruments, excluding our Weather Derivative, as discussed below, are recorded in our consolidated balance sheets at fair value. We do not apply hedge accounting to our derivative instruments. Accordingly, changes in the fair values of our derivative instruments are recorded in realized and unrealized gains or losses on derivative instruments in our consolidated statements of operations.

The net cash received or paid related to our derivative instruments is classified as an operating, investing or financing activity in our consolidated statements of cash flows based on the objective of the derivative instrument and the classification of the applicable underlying cash flows, as follows:

- Interest rate derivative contracts: the net cash paid or received related to current interest is classified as an operating activity.
- Derivative contracts that are terminated prior to maturity: the cash paid or received upon termination that relates to future periods is classified as a financing activity.

Weather Derivative

Our Weather Derivative provides us with insurance coverage for certain weather-related events and is not accounted for at fair value. The premium paid associated with the Weather Derivative is recorded in other current assets, net in our consolidated

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balance sheets, and the amortization of the premium is included in realized and unrealized gains or losses on derivative instruments, net in our consolidated statements of operations. The cash paid associated with the premium is classified as an operating activity in our consolidated statements of cash flows. In the event of a payout under our Weather Derivative, the cash received would be classified as an operating activity in our consolidated statements of cash flows.

The insurance coverage associated with the Weather Derivative is underwritten by a related-party captive insurance entity, as further described in note 16.

For information regarding our derivative instruments, see note 5.

Inventories

Inventories consist principally of mobile devices and accessories and are valued at the lower of cost or net realizable value. We maintain inventory valuation reserves for obsolete and slow-moving inventory, based on analysis of recent historical sales activity and current retail, stand-alone selling prices. We record sales of inventories under the average cost method.

Property and Equipment

Property and equipment are stated at cost less accumulated depreciation. We capitalize costs associated with the construction of new cable and mobile transmission and distribution facilities and the installation of new cable services. The nature and amount of labor and other costs to be capitalized with respect to construction and installation activities involves judgment. In addition to direct external and internal labor and materials, we also capitalize other costs directly attributable to our construction and installation activities, including dispatch costs, quality-control costs, vehicle-related costs and certain warehouse-related costs. The capitalization of these costs is based on time sheets, time studies, standard costs, call tracking systems and other verifiable means that directly link the costs incurred with the applicable capitalizable activity. We continuously monitor the appropriateness of our capitalization policies and update the policies when necessary to respond to changes in facts and circumstances, such as the development of new products and services and changes in the manner that installations or construction activities are performed. Installation activities that are capitalized include (i) the initial connection (or drop) from our cable system to a customer location, (ii) the replacement of a drop and (iii) the installation of equipment for additional services, such as digital cable, telephone or broadband internet service. The costs of other customer-facing activities, such as reconnecting and disconnecting customer locations and repairing or maintaining drops, are expensed as incurred.

We capitalize internal and external costs directly associated with the development of internal-use software. Capitalized internal-use software is included as a component of property and equipment. We also capitalize costs associated with the purchase of software licenses. Maintenance and training costs, as well as costs incurred during the preliminary stage of an internal-use software development project, are expensed as incurred.

Depreciation is computed using the straight-line method over the estimated useful life of the underlying asset. Equipment under finance leases is amortized on a straight-line basis over the shorter of the lease term or estimated useful life of the asset and is included in depreciation and amortization in our consolidated statements of operations. Useful lives used to depreciate our property and equipment are assessed periodically and are adjusted when warranted. The useful lives of cable and mobile distribution systems that are undergoing a rebuild are adjusted such that property and equipment to be retired will be fully depreciated by the time the rebuild is completed. For additional information regarding the useful lives of our property and equipment, see note 8.

Additions, replacements and improvements that extend the asset life are capitalized. Repairs and maintenance are expensed as incurred.

Intangible Assets

Our primary intangible assets relate to goodwill, customer relationships, spectrum licenses and cable television franchise rights. Goodwill represents the excess purchase price over the fair value of the identifiable net assets acquired in a business combination. Customer relationships, spectrum licenses and cable television franchise rights that are acquired in connection with a business combination are initially recorded at their fair values.

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Goodwill and other intangible assets with indefinite useful lives are not amortized, but instead are tested for impairment at least annually. Intangible assets with finite lives are amortized on a straight-line basis over their respective estimated useful lives to their estimated residual values, and reviewed for impairment.

We do not amortize our cable television franchise rights or spectrum licenses that have indefinite lives.

Spectrum licenses provide us with the exclusive right to utilize a certain radio frequency spectrum to provide wireless communications services. While spectrum licenses are issued for only a fixed time (generally, 10 years), renewals of spectrum licenses occur routinely and at nominal cost. Moreover, we believe there are currently no significant legal, regulatory, contractual, competitive, economic or other factors limiting the useful lives of our spectrum licenses, and therefore we treat the spectrum licenses as indefinite-lived intangible assets. We believe we will be able to meet all requirements necessary to secure renewal of our spectrum licenses.

For additional information regarding the useful lives of our intangible assets, see note 8.

Impairment of Property and Equipment and Intangible Assets

When circumstances warrant, we review the carrying amounts of our property and equipment and our intangible assets (other than goodwill and other indefinite-lived intangible assets) to determine whether such carrying amounts continue to be recoverable. Such changes in circumstance may include (i) the impact of natural disasters, such as hurricanes, (ii) an expectation of a sale or disposal of a long-lived asset or asset group, (iii) adverse changes in market or competitive conditions, (iv) an adverse change in legal factors or business climate in the market in which we operate and (v) operating or cash flow losses. For purposes of impairment testing, long-lived assets are grouped at the lowest level for which cash flows are largely independent of other assets and liabilities, generally at or below the reporting unit level (see below). If the carrying amount of the asset or asset group is greater than the expected undiscounted cash flows to be generated by such asset or asset group, an impairment adjustment is recognized. Such adjustment is measured by the amount that the carrying value of such asset or asset group exceeds its fair value. We generally measure fair value by considering (i) sale prices for similar assets, (ii) discounted estimated future cash flows using an appropriate discount rate and/or (iii) estimated replacement cost. Assets to be disposed of are recorded at the lower of their carrying amount or fair value less costs to sell.

We evaluate goodwill and other indefinite-lived intangible assets for impairment at least annually on October 1 and whenever facts and circumstances indicate that the fair value of a reporting unit or an indefinite-lived intangible asset may be less than its carrying value. For impairment evaluations with respect to both goodwill and other indefinite-lived intangibles, we first make a qualitative assessment to determine if the goodwill or other indefinite-lived intangible may be impaired. In the case of goodwill, if it is more-likely-than-not that a reporting unit's fair value is less than its carrying value, we then compare the fair value of the reporting unit to its respective carrying amount. A reporting unit is an operating segment or one level below an operating segment (referred to as a "component"). Goodwill impairment is recorded as the excess of a reporting unit's carrying value over its fair value and is charged to operations as an impairment loss. With respect to other indefinite-lived intangible assets, if it is more-likely-than-not that the fair value of an indefinite-lived intangible asset is less than its carrying value, we then estimate its fair value and any excess of the carrying value over the fair value is also charged to operations as an impairment loss. For additional information regarding the fair value measurements of our property and equipment and intangible assets, see note 6. For additional information regarding impairments, see note 8.

Contract Assets

When we transfer goods or services to a customer but do not have an unconditional right to payment, we record a contract asset. Contract assets are reclassified to trade receivables, net, in our consolidated balance sheet at the point in time we have the unconditional right to payment. Our aggregate contract assets were \$32 million and \$22 million as of December 31, 2021 and 2020, respectively. The current and long-term portion of contract assets are included in other current assets, net and other assets, net, respectively, in our consolidated balance sheets.

Deferred Contract Costs

Incremental costs to obtain a contract with a customer, such as incremental sales commissions, are recognized as an asset and amortized to other operating costs and expenses over the applicable period benefited, which is the longer of the contract life or the economic life of the commission. If, however, the amortization period is one year or less, we expense such costs in the period incurred. Costs to obtain a contract that would have been incurred regardless of whether the contract was obtained are

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recognized as an expense when incurred. Our aggregate deferred contract costs were \$20 million and \$5 million as of December 31, 2021 and 2020, respectively. The current and long-term portion of deferred contract costs are included in other current assets, net and other assets, net, respectively, in our consolidated balance sheets.

Deferred Revenue

We record deferred revenue when we have received payment prior to transferring goods or services to a customer. Deferred revenue primarily relates to (i) advanced payments on fixed subscription services, mobile airtime services and long-term capacity contracts and (ii) deferred installation and other upfront fees. Our aggregate current and long-term deferred revenue as of December 31, 2021 and 2020 was \$54 million and \$61 million, respectively.

Operating Leases

Our operating leases primarily consist of (i) property leases for mobile tower locations that generally have initial terms of five to ten years with one or more renewal options and (ii) lease commitments for (a) retail stores, offices and facilities, (b) other network assets and (c) other equipment. It is expected that in the normal course of business, operating leases that expire generally will be renewed or replaced by similar leases. For additional information regarding our leases, see note 10.

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

We use a credit-adjusted discount rate to measure our operating lease liabilities. We derive the discount rates associated with each of our markets, as applicable, starting with a risk free rate, generally the U.S. Treasury Bill rate. To determine credit risk, we create an industry benchmark CDS curve from an observable high-yield debt index using comparable telecommunication companies as a proxy. We then determine the maximum curve shift against this CDS curve derived from our own tradable debt, and make adjustments to correct for the collateralized interest rate spread by comparing unsecured debt to asset-backed securities (secured debt) trades, which is based on the spread between the BB- and B+ industrial curves. We determine the discount factor from this adjusted curve.

Income Taxes

We are treated as a pass-through entity for U.S. federal income tax purposes. Accordingly, our taxable income or loss, which may vary substantially from the net earnings or loss reported in our consolidated statements of operations, is included in the income tax returns of our partners. We record income taxes in the accompanying consolidated financials to reflect the tax on income earned by our taxable consolidated subsidiaries in their respective jurisdictions, including U.S., Puerto Rico and U.S. Virgin Islands.

Income taxes are accounted for under the asset and liability method. We recognize deferred tax assets and liabilities for the future tax consequences attributable to differences between the financial statement carrying amounts and income tax basis of assets and liabilities and the expected benefits of utilizing net operating loss and tax credit carryforwards, using enacted tax rates in effect for each taxing jurisdiction in which we operate for the year in which those temporary differences are expected to be recovered or settled. We recognize the financial statement effects of a tax position when it is more-likely-than-not, based on technical merits, that the position will be sustained upon examination. Net deferred tax assets are then reduced by a valuation allowance if we believe it is more-likely-than-not such net deferred tax assets will not be realized. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in earnings in the period that includes the enactment date. Interest and penalties related to income tax liabilities are included in income tax benefit or expense.

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Revenue Recognition

We categorize revenue into two major categories: (i) residential revenue, which includes revenue from fixed and mobile services provided to residential customers, and (ii) B2B service revenue. For additional information regarding our revenue by major category, see note 18. Our revenue recognition policies are as follows.

General. Most of our fixed and mobile residential contracts are not enforceable or do not contain substantive early termination penalties. Accordingly, revenue relating to these customers is recognized on a basis consistent with customers that are not subject to contracts. We account for customer service revenue contracts that include both non-lease and lease components as a single component in all instances where the non-lease component is the predominant component of the arrangement and the other applicable criteria are met.

Residential Fixed and B2B Service Revenue – Fixed Networks. We recognize revenue from video, broadband internet and fixed-line telephony services over our fixed networks to customers in the period the related residential fixed or B2B services are provided. Installation or other upfront fees related to services provided over our fixed networks are generally deferred and recognized as subscription revenue over the contractual period, or longer if the upfront fee results in a material renewal right. We defer upfront installation and certain nonrecurring fees received on B2B contracts where we maintain ownership of the installed equipment. The deferred fees are amortized into revenue on a straight-line basis over the term of the arrangement or the expected period of performance.

We may also sell video, broadband internet and fixed-line telephony services to our customers in bundled packages at a rate lower than if the customer purchased each product on a standalone basis. Arrangement consideration from bundled packages generally is allocated proportionally to the individual service based on the relative standalone price for each respective product or service.

Mobile Revenue – General. Our residential mobile contracts are enforceable and frequently contain substantive early termination penalties. Consideration from mobile contracts is allocated to airtime services and handset sales based on the relative standalone prices of each performance obligation.

Mobile Revenue – Airtime Services. We recognize revenue from mobile services in the period the related services are provided. Payments received from prepay customers are recorded as deferred revenue prior to the commencement of services and are recognized as revenue as the services are rendered or usage rights expire.

Mobile Revenue – Handset Revenue. Arrangement consideration allocated to handsets is recognized as revenue when the goods have been transferred to the customer.

Mobile Revenue – Handset Insurance Revenue. We recognize revenue associated with handset insurance on a straight-line basis over the coverage period.

Government Funding Revenue. From time to time, we receive funds from the FCC in an effort to restore, expand and upgrade fixed and mobile networks in Puerto Rico and the U.S. Virgin Islands. We recognize funds granted from the FCC as other revenue in the period in which we are entitled to receive the funds, as the FCC does not meet the definition of a “customer.”

Sales and Use Taxes. Revenue is recorded net of applicable sales and use taxes.

Litigation Costs

Legal fees and related litigation costs are expensed as incurred.

(4) Acquisitions

2021 Acquisition

Broadband VI, LLC Acquisition. Effective December 31, 2021, we acquired 96% of the outstanding shares of Broadband VI, LLC for \$33 million, the payment of which occurred in January 2022, subject to certain post-closing adjustments. Broadband VI, LLC provides fixed services to residential and business customers in the U.S. Virgin Islands.

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2020 Acquisition

AT&T Acquisition. On October 31, 2020, we and Liberty Latin America acquired from AT&T all the outstanding shares of the AT&T Acquired Entities, which following the closing of the AT&T Acquisition are referred to as Liberty Mobile and its subsidiaries. The operations acquired in the AT&T Acquisition provide consumer mobile and B2B services in Puerto Rico and the U.S. Virgin Islands.

We completed the B2B Disposal in January 2021 by divesting those same B2B operations for a stated sales price of \$22 million. In connection with this divestiture, we recognized a gain on sale of \$9 million, which is included in impairment, restructuring and other operating items, net, in our consolidated statement of operations. The net assets of the B2B business sold of \$11 million were classified as held for sale and included in other current assets, net in our consolidated balance sheet at December 31, 2020.

AT&T is providing ongoing support to the AT&T Acquired Entities under the TSA for a period up to 36 months following the closing of the AT&T Acquisition. Services under the TSA include, but are not limited to, (i) network operations, (ii) customer service, (iii) finance and accounting, (iv) information technology, (v) sales and marketing and (vi) content-related services. We may terminate any services under the TSA upon sixty business days' notice to AT&T in accordance with the terms and conditions of the TSA.

The following table sets forth a reconciliation of the stated purchase price included in the Acquisition Agreement to the "Accounting Purchase Price" (in millions):

Stated Acquisition Agreement purchase price.....	\$ 1,950.0
Less: Purchase price allocated to purchase of prepaid roaming services (a)	(73.3)
Working capital and other purchase price adjustments:	
Closing adjustments (b)	(51.7)
Additional working capital consideration (c)	61.0
Net cash paid for the AT&T Acquisition (d)	1,886.0
Contingent purchase price consideration (e)	46.4
Accounting Purchase Price	<u>\$ 1,932.4</u>

- (a) Represents the portion of the stated Acquisition Agreement purchase price that has been allocated to the purchase of prepaid roaming services. In connection with the Acquisition Agreement, AT&T agreed to give us a \$75 million credit against certain roaming services that AT&T provides to the AT&T Acquired Entities for a seven-year period following the closing of the AT&T Acquisition. If the credits are not used for roaming services in that time period, any remaining credit may be used to acquire certain other services from AT&T thereafter. For accounting purposes, we have bifurcated the discounted value of these services from the stated purchase consideration and reflected the amount allocated to the purchase of prepaid roaming, \$73 million, in net cash provided by operating activities in our consolidated statement of cash flows.
- (b) Represents closing adjustments to the purchase price pursuant to the terms of the Acquisition Agreement for (i) closing working capital balances, (ii) outstanding indebtedness and (iii) shortfalls in equipment subsidies made by AT&T prior to the closing of the AT&T Acquisition.
- (c) Represents cash paid subsequent to the closing of the AT&T Acquisition related to certain liabilities of the AT&T Acquired Entities that were not assumed by us under the terms of the Acquisition Agreement.
- (d) The net cash paid for the AT&T Acquisition is comprised of (i) the AT&T Acquisition Restricted Cash, as described in note 9, which comprised \$1,353 million and was released upon consummation of the AT&T Acquisition, and (ii) \$533 million of cash and cash equivalents that was made available through an equity contribution from Liberty Latin America.
- (e) Prior to the closing of the AT&T Acquisition, AT&T made prepayments to the tax authorities of Puerto Rico and the U.S. Virgin Islands. We expect that we will utilize these prepayments, which are reflected in other assets, net on the consolidated balance sheet, against our future income tax liabilities. Pursuant to the Acquisition Agreement, if we utilize

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such prepayments to reduce our future income tax liabilities, we are required to pay AT&T additional purchase consideration.

We have accounted for the AT&T Acquisition as a business combination using the acquisition method of accounting, whereby the total purchase price was allocated to the acquired identifiable net assets of the AT&T Acquired Entities based on assessments of their respective fair values, and the excess of the total purchase price over the fair values of these identifiable net assets was allocated to goodwill. A summary of the purchase price and the opening balance sheet of the AT&T Acquired Entities at the October 31, 2020 acquisition date is presented in the following table. The opening balance sheet presented below reflects our final purchase price allocation (in millions):

Current assets (a) (b)	\$ 155.6
Goodwill (c)	196.9
Property and equipment	768.6
Customer relationships (d)	85.6
Intangible assets not subject to amortization (e)	1,043.0
Other assets (b) (g)	272.8
Current liabilities (f) (g)	(67.9)
Long-term debt and finance lease obligations	(10.6)
Non-current deferred tax liabilities	(344.3)
Other long-term liabilities (g)	(167.3)
Total purchase price (h)	<u>\$ 1,932.4</u>

- (a) Current assets consists of trade receivables, prepaid expenses and other current assets.
- (b) Current assets and other assets include \$67 million and \$39 million, respectively, in EIP receivables.
- (c) The goodwill recognized in connection with the AT&T Acquisition is primarily attributable to (i) the ability to take advantage of the AT&T Acquired Entities' existing mobile network to gain immediate access to potential customers and (ii) synergies that are expected to be achieved through the integration of the AT&T Acquired Entities with Liberty PR. Due to the nature of the AT&T Acquisition, no tax deductions related to goodwill have been taken.
- (d) At October 31, 2020 the weighted average useful life of the acquired customer relationship intangible assets was approximately 10 years.
- (e) Amount represents the estimated fair value of spectrum licenses.
- (f) Current liabilities include accounts payable, current portion of debt and finance lease obligations and other accrued and current liabilities.
- (g) Other assets, current liabilities and other long-term liabilities include \$182 million, \$33 million and \$163 million related to operating lease right-of-use assets, current operating lease obligations and non-current operating lease obligations, respectively.
- (h) Amount excludes \$51 million and \$5 million of direct acquisition costs, incurred during 2020 and 2019, respectively.

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Supplemental Pro Forma Information

The pro forma financial information set forth in the table below is based on available information and assumptions that we believe are reasonable. The pro forma financial information is for illustrative and informational purposes only and is not intended to represent or be indicative of what our results of operations would have been had the AT&T Acquisition occurred on the date indicated nor should it be considered representative of our future financial condition or results of operations. The pro forma information set forth in the table below includes tax-effected pro forma adjustments primarily related to:

- i. the impact of estimated costs associated with the TSA that replaced parent-company allocations included in the historical financial statements of the AT&T Acquired Entities;
- ii. the impact of new rate agreements associated with roaming, subsea and ethernet services stemming from the AT&T Acquisition;
- iii. the alignment of accounting policies;
- iv. interest expense related to additional borrowings in conjunction with the AT&T Acquisition;
- v. depreciation expense related to acquired tangible assets;
- vi. amortization expense related to acquired intangible assets; and
- vii. the elimination of direct acquisition costs.

The following unaudited pro forma consolidated operating results give effect to the AT&T Acquisition, as if it had been completed as of January 1, 2019:

	Year ended December 31, 2020
	in millions
Revenue	\$ 1,361.3
Net earnings	\$ 36.0

(5) Derivative Instruments

In general, we seek to enter into derivative instruments to protect against increases in the interest rates on our variable-rate debt.

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

	December 31, 2021			December 31, 2020		
	Current (a)	Long-term (a)	Total	Current (a)	Long-term (a)	Total
	in millions					
Assets (b)	\$ 4.5	\$ 0.7	\$ 5.2	\$ —	\$ —	\$ —
Liabilities (b)	\$ 10.4	\$ 24.5	\$ 34.9	\$ 28.9	\$ 74.8	\$ 103.7

- (a) Our current derivative assets, long-term derivative assets and long-term derivative liabilities are included in other current assets, net, other assets, net, and other long-term liabilities, respectively, in our 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 and are recorded in realized and unrealized gains (losses) on derivative instruments, net in our consolidated statements of operations. For further information regarding our fair value measurements, see note 6.

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The derivative assets set forth in the table above exclude our Weather Derivative, as it is not accounted for at fair value.

The details of our realized and unrealized gains (losses) on derivative instruments, net, are as follows:

	Year ended December 31,		
	2021	2020	2019
	in millions		
Interest rate derivative contracts (a)	\$ 15.7	\$ (80.1)	\$ (26.9)
Weather Derivative	(12.8)	(3.5)	(1.0)
Total	<u>\$ 2.9</u>	<u>\$ (83.6)</u>	<u>\$ (27.9)</u>

- (a) Changes in the credit risk valuation adjustments associated with our interest rate derivative contracts resulted in net gains (losses) of (\$3 million) and \$3 million during 2021 and 2020, respectively. The gain during the 2020 period is primarily due to increased credit risk stemming from market reaction to the COVID-19 outbreak, as further described and defined in note 8. These amounts are included in realized and unrealized gains (losses) on derivative instruments, net, in our consolidated statements of operations.

The following table sets forth the classification of the net cash inflows (outflows) of our derivative instruments:

	Year ended December 31,		
	2021	2020	2019
	in millions		
Operating activities	\$ (41.4)	\$ (15.0)	\$ 10.0
Financing activities (a)	(32.4)	—	—
Total	<u>\$ (73.8)</u>	<u>\$ (15.0)</u>	<u>\$ 10.0</u>

- (a) The 2021 amount is associated with activity during the first quarter of 2021 and relates to the settlement of interest rate swaps in connection with the refinancing of the LPR Credit Facilities. For additional information regarding our debt refinancing activity, see note 9.

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 has not been posted by either party under our derivative instruments. At December 31, 2021, our exposure to counterparty credit risk resulting from our net derivative position was not material.

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

Details of our Derivative Instruments

Interest Rate Derivative Contracts

Interest Rate Swaps

As noted above, we enter into interest rate swaps to protect against increases in the interest rates on our variable-rate debt. Pursuant to these derivative instruments, we typically pay fixed interest rates and receive variable interest rates on specified notional amounts. At December 31, 2021, the outstanding notional amount of our interest rate swap contracts was \$500 million and the related weighted average remaining contractual life was 10.0 years.

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Basis Swaps

Basis swaps involve the exchange of attributes used to calculate our floating interest rates, including (i) the benchmark rate, (ii) the underlying currency and/or (iii) the borrowing period. We typically enter into these swaps to optimize our interest rate profile based on our current evaluations of yield curves, our risk management policies and other factors. At December 31, 2021, the outstanding notional amount of our basis swap contracts, which include forward-starting derivative instruments, was \$620 million and the related weighted average remaining contractual life was 1.5 years.

Interest Rate Floors

Interest rate floors provide protection against interest rates falling below a pre-set level. During 2021, we entered into interest rate floors, which include forward starting derivative instruments, related to certain financing activity associated with the LPR Credit Facilities, as described in note 9. At December 31, 2021, the total notional amount of our interest rate floors was \$620 million with a weighted average remaining contractual life of 6.8 years.

Interest Rate Caps

Interest rate caps provide protection against interest rates rising above a pre-set level. During 2021, we entered into interest rate caps, which include forward starting derivative instruments, associated with the 2028 LPR Term Loan add-on financing, as described in note 9. At December 31, 2021, the total notional amount of our interest rate caps was \$120 million with a remaining contractual life of 6.8 years.

(6) Fair Value Measurements

General

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

U.S. GAAP provides for a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three broad levels. Level 1 inputs are quoted market prices in active markets for identical assets or liabilities that the reporting entity has the ability to access at the measurement date. Level 2 inputs are inputs other than quoted market prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 3 inputs are unobservable inputs for the asset or liability.

All of our Level 2 inputs (interest rate futures, swap rates and certain of the inputs for our weighted average cost of capital calculations) and certain of our Level 3 inputs (non-interest rate curves and credit spreads) are obtained from pricing services. These inputs, or interpolations or extrapolations thereof, are used in our internal models to calculate, among other items, yield curves, forward interest and currency rates and weighted average cost of capital rates. In the normal course of business, we receive market value assessments from the counterparties to our derivative contracts. Although we compare these assessments to our internal valuations and investigate unexpected differences, we do not otherwise rely on counterparty quotes to determine the fair values of our derivative instruments. The midpoints of applicable bid and ask ranges generally are used as inputs for our internal valuations.

Recurring Fair Value Measurements - Derivatives

In order to manage our interest rate risk, we have entered into various derivative instruments, as further described in note 5. The recurring fair value measurements of these derivative instruments are determined using discounted cash flow models. Most of the inputs to these discounted cash flow models consist of, or are derived from, observable Level 2 data for substantially the full term of these derivative instruments. This observable data mostly includes interest rate futures and swap rates, which are retrieved or derived from available market data. Although we may extrapolate or interpolate this data, we do not otherwise alter this data in performing our valuations. We incorporate a credit risk valuation adjustment in our fair value measurements to estimate the impact of both our own nonperformance risk and the nonperformance risk of our counterparties. Our and our counterparties' credit spreads represent our most significant Level 3 inputs, and these inputs are used to derive the credit risk

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valuation adjustments with respect to these instruments. As we would not expect changes in our or our counterparties' credit spreads to have a significant impact on the valuations of these instruments, we have determined that these valuations fall under Level 2 of the fair value hierarchy. Our credit risk valuation adjustments with respect to our interest rate derivative contracts are quantified and further explained in note 5.

Nonrecurring Fair Value Measurements

Fair value measurements are also used for purposes of nonrecurring valuations performed in connection with acquisition accounting and impairment assessments.

Acquisition Accounting

The nonrecurring valuations associated with acquisition accounting, which use significant unobservable inputs and therefore fall under Level 3 of the fair value hierarchy, primarily include the valuation of property and equipment, customer relationships and spectrum intangible assets, as further described below:

- *Property and equipment.* The valuation of property and equipment may use an indirect cost approach, which utilizes trends based on historical cost information, or a combination of indirect cost approach, market approach and direct replacement cost method, which considers factors such as current prices of the same or similar equipment, the age of the equipment and economic obsolescence.
- *Customer relationships.* The valuation of customer relationships is primarily based on an excess earnings methodology, which is a form of a discounted cash flow analysis. The excess earnings methodology for customer relationship intangible assets requires us to estimate the specific cash flows expected from the acquired customer relationships, considering such factors as estimated customer life, the revenue expected to be generated over the life of the customer relationships, contributory asset charges and other factors.
- *Spectrum intangible assets.* The valuation of spectrum intangible assets may use either an adjusted market-based approach, which requires the calibration of observable market inputs to reflect the fair value of the assets acquired, or a combination of an adjusted market-based approach with other methods, such as an income-based approach (e.g. the "greenfield" valuation method), which requires a wide range of assumptions and inputs, including forecasting costs associated with building a complementary asset base.

During 2021, we finalized our acquisition accounting for the AT&T Acquisition. The weighted average discount rates used in the valuations of the acquired customer relationships and spectrum licenses were approximately 10% and 8%, respectively. For information related to the final valuation associated with assets acquired in connection with the AT&T Acquisition, see note 4.

Impairment Assessments

The nonrecurring valuations associated with the impairment assessments use significant unobservable inputs and therefore fall under Level 3 of the fair value hierarchy. During 2021, we did not perform any significant fair value measurements associated with impairment assessments.

(7) Insurance Recoveries

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. During 2019, we received the then outstanding insurance settlement amount of \$27 million, of which \$18 million and \$9 million have been presented as operating and investing activities, respectively, in our consolidated statement of cash flows.

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(8) Long-lived Assets

Goodwill

At December 31, 2021 and 2020, the carrying amount of our goodwill was \$498 million and \$630 million, respectively. The decrease in goodwill is primarily attributable to updates made to the opening balance sheet valuation of property, plant and equipment, right-of-use assets and spectrum licenses related to the AT&T Acquisition. For additional information, see notes 4 and 6.

We evaluate goodwill and other indefinite-lived intangible assets (primarily spectrum licenses and cable television franchise rights) for impairment at least annually on October 1 and whenever facts and circumstances indicate that their carrying amounts may not be recoverable, as further outlined in note 3. Based upon our October 1, 2021 evaluation, we did not identify any impairments of such assets.

COVID-19. During the first quarter of 2020, the World Health Organization declared the outbreak of a novel strain of Coronavirus (**COVID-19**) a “pandemic,” pointing to the sustained risk of further global spread. COVID-19 has negatively impacted our results of operations and resulted in systemic disruption of the worldwide equity markets, and the market values of Liberty Latin America’s publicly-traded equity declined significantly beginning in late February 2020. During 2020, the impacts of COVID-19 did not have a significant impact on our operating results or cash flows. Notwithstanding the lack of a significant impact of COVID-19 during 2020, we did evaluate whether the facts and circumstances and available information resulted in the need for an impairment assessment for any of our long-lived assets, including goodwill, and during the second quarter of 2020, concluded no assessment was required.

Property and Equipment, Net

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

	Estimated useful life at December 31, 2021	December 31,	
		2021	2020
		in millions	
Distribution systems	5 to 15 years	\$ 1,210.9	\$ 919.0
CPE	3 to 5 years	189.0	101.3
Support equipment, buildings and land	3 to 40 years	168.2	160.7
		1,568.1	1,181.0
Accumulated depreciation		(374.1)	(84.2)
Total property and equipment, net		\$ 1,194.0	\$ 1,096.8

Depreciation expense related to our property and equipment was \$186 million, \$87 million and \$73 million during 2021, 2020 and 2019, respectively.

Most of our property and equipment is pledged as security under the LPR Credit Facilities and the 2027 LPR Senior Secured Notes. For additional information, see note 9.

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Customer Relationships, Net

The details of our customer relationships, which have an estimated average useful life of five to ten years at December 31, 2021, and the related accumulated amortization are set forth below:

	December 31,	
	2021	2020
	in millions	
Gross carrying amount	\$ 234.7	\$ 231.8
Accumulated amortization	(145.8)	(118.5)
Net carrying amount	<u>\$ 88.9</u>	<u>\$ 113.3</u>

Amortization expense of intangible assets with finite useful lives was \$27 million, \$19 million and \$18 million during 2021, 2020 and 2019, respectively.

Based on our customer relationships balance at December 31, 2021, we expect that amortization expense will be as follows for the next five years and thereafter (in millions):

2022	\$ 22.2
2023	8.7
2024	8.7
2025	8.7
2026	8.4
Thereafter	32.2
Total	<u>\$ 88.9</u>

Intangible Assets Not Subject to Amortization

The details of our intangible assets not subject to amortization are set forth below:

	December 31,	
	2021	2020
	in millions	
Spectrum licenses (a)	\$ 1,050.8	\$ 894.4
Cable television franchise rights	540.0	540.0
Other	1.4	1.4
Total intangible assets not subject to amortization	<u>\$ 1,592.2</u>	<u>\$ 1,435.8</u>

- (a) These amounts include \$1,043 million and \$894 million, respectively, attributable to the AT&T Acquisition. The increase relates to the finalization of acquisition accounting. For additional information regarding the assets acquired as part of the AT&T Acquisition, see note 4.

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(9) Debt and Finance Lease Obligations

Our debt obligations are as follows:

	December 31, 2021		Estimated fair value (c)		Principal amount	
	Weighted average interest rate (a)	Unused borrowing capacity (b)	December 31,		December 31,	
			2021	2020	2021	2020
			in millions			
LPR Senior Secured Notes	6.08 %	\$ —	\$ 2,058.1	\$ 1,389.4	\$ 1,981.0	\$ 1,290.0
LPR Credit Facilities (d)	3.85 %	172.5	623.1	1,002.5	620.0	1,000.0
Total debt before premiums, discounts and deferred financing costs	5.55 %	\$ 172.5	\$ 2,681.2	\$ 2,391.9	\$ 2,601.0	\$ 2,290.0

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

	December 31,	
	2021	2020
	in millions	
Total debt before premiums, discounts and deferred financing costs	\$ 2,601.0	\$ 2,290.0
Premiums, discounts and deferred financing costs, net	(34.8)	(39.1)
Total carrying amount of debt	2,566.2	2,250.9
Finance lease obligations	6.5	10.5
Total debt and finance lease obligations	2,572.7	2,261.4
Less: Current maturities of debt and finance lease obligations	(0.5)	(0.1)
Long-term debt and finance lease obligations	\$ 2,572.2	\$ 2,261.3

- (a) Represents the weighted average interest rate in effect at December 31, 2021 for all borrowings outstanding pursuant to each debt instrument, including any applicable margin. The interest rates presented represent stated rates and do not include the impact of derivative instruments, deferred financing costs, original issue premiums and commitment fees, all of which affect our overall cost of borrowing.
- (b) Unused borrowing capacity represents the maximum availability under the LPR Revolving Credit Facility at December 31, 2021 without regard to covenant compliance calculations or other conditions precedent to borrowing. At December 31, 2021, the full amount of unused borrowing capacity was available to be borrowed under the LPR Revolving Credit Facility, both before and after completion of the December 31, 2021 compliance reporting requirements.
- (c) The estimated fair values of our debt instruments are determined using the applicable bid prices (mostly Level 1 of the fair value hierarchy). For additional information regarding fair value hierarchies, see note 6.
- (d) Represents the LPR Credit Facilities, which comprises the LPR Revolving Credit Facility and the 2028 LPR Term Loan.

General Information

Credit Facilities. We have entered into one or more credit facility agreements with certain financial institutions. Each of these credit facilities contain certain covenants, the more notable of which are as follows:

- Our credit facilities contain certain net leverage ratios, as specified in the relevant credit facility, which are required to be complied with on an incurrence and/or maintenance basis;

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- Our credit facilities contain certain restrictions which, among other things, restrict our ability to (i) incur or guarantee certain financial indebtedness, (ii) make certain disposals and acquisitions, (iii) create certain security interests over our assets, in each case, subject to certain customary and agreed exceptions, and (iv) make certain restricted payments to our direct and/or indirect parent companies through dividends, loans or other distributions, subject to compliance with applicable covenants;
- Our credit facilities require us to guarantee the payment of all sums payable under the relevant credit facility and have first-ranking security granted over the shares in, and substantially all of the assets of, our borrower and guarantor entities, to secure the payment of all sums payable thereunder;
- In addition to certain mandatory prepayment events, the instructing group of lenders under the relevant credit facility may cancel the commitments thereunder and declare the loans thereunder due and payable after the applicable notice period following the occurrence of a change of control (as specified in the relevant credit facility);
- Our credit facilities contain certain customary events of default, the occurrence of which, subject to certain exceptions and materiality qualifications, would allow the instructing group of lenders to (i) cancel the total commitments, (ii) accelerate all outstanding loans and terminate their commitments thereunder and/or (iii) declare that all or part of the loans be payable on demand;
- Our credit facilities require that we observe certain affirmative and negative undertakings and covenants, which are subject to certain materiality qualifications and other customary and agreed exceptions; and
- In addition to customary default provisions, our credit facilities generally include certain cross-default and cross-acceleration provisions with respect to our other indebtedness, subject to agreed minimum thresholds and other customary and agreed exceptions.

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, 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%.

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LPR Senior Secured Notes

The details of the outstanding LPR Senior Secured Notes as of December 31, 2021 are summarized in the following table:

LPR Senior Secured Notes	Maturity	Interest rate	Outstanding principal amount	Carrying value (a)
			in millions	
2027 LPR Senior Secured Notes (b)	October 15, 2027	6.750%	\$ 1,161.0	\$ 1,142.4
2029 LPR Senior Secured Notes (b)	July 15, 2029	5.125%	820.0	803.8
Total			<u>\$ 1,981.0</u>	<u>\$ 1,946.2</u>

- (a) Amounts are inclusive or net of original issue premiums and deferred financing costs, as applicable.
- (b) The 2027 LPR Senior Secured Notes and 2029 LPR Senior Secured Notes were issued by LCPR Senior Secured Financing. 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. LCPR Senior Secured Financing was created for the primary purpose of facilitating the issuance of certain debt offerings.

Redemption Rights. The LPR Senior Secured Notes are subject to certain redemption rights (as specified in the applicable indenture). LCPR Senior Secured Financing may redeem some or all of the 2027 LPR Senior Secured Notes and 2029 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 applicable indenture), if any, to the applicable redemption date:

	Redemption Price	
	2027 LPR Senior Secured Notes	2029 LPR Senior Secured Notes
12-month period commencing:	October 15	July 15
2022	103.375%	N.A.
2023	101.688%	N.A.
2024	100.000%	102.563%
2025	100.000%	101.281%
2026 and thereafter	100.000%	100.000%

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LPR Credit Facilities

The LPR Credit Facilities are the senior secured credit facilities of our company. The details of our borrowings under the LPR Credit Facilities as of December 31, 2021 are summarized in the following table:

LPR Credit Facilities	Maturity	Interest rate	Unused borrowing capacity	Outstanding principal amount	Carrying value
			in millions		
LPR Revolving Credit Facility (a) (b)	March 15, 2027	LIBOR + 3.50%	\$ 172.5	\$ —	\$ —
2028 LPR Term Loan	October 15, 2028	LIBOR + 3.75%	—	620.0	620.0
Total			\$ 172.5	\$ 620.0	\$ 620.0

- (a) The LPR Revolving Credit Facility was entered into by LCPR Loan Financing, which was created for the primary purpose of facilitating the issuance of certain term loan debt. LCPR is required to consolidate LCPR Loan Financing as a result of certain variable interests in LCPR Loan Financing, for which LCPR is considered the primary beneficiary.
- (b) The LPR Revolving Credit Facility has a fee on unused commitments of 0.5% per year.

Financing and Refinancing Activity

Borrowings related to significant notes we issued and credit facilities we drew down, entered into or amended and repayments made during 2021, 2020 and 2019 are included in the tables below. Non-cash activity relates to cash borrowed that did not pass through our bank accounts, as financing proceeds from the issuance of debt were used to directly repay some or all of our outstanding debt instruments.

The general terms of the notes we issued and credit facilities we entered into or amended are as follows:

Instrument	Issued at	Borrowing principal	Non-cash component
2021:			
2029 LPR Senior Secured Notes	100%	\$ 820.0	\$ 500.0
2028 LPR Term Loan	100%	\$ 620.0	\$ 500.0
LPR Revolving Credit Facility	N/A	(a)	\$ —
2020:			
2027 LPR Senior Secured Notes Add-on	102.5%	\$ 90.0	\$ —
LPR Revolving Credit Facility	N/A	\$ 62.5	\$ —
2019:			
2027 LPR Senior Secured Notes	100%	\$ 1,200.0	\$ —
2026 SPV Credit Facility	99%	\$ 1,000.0	\$ 922.5

- (a) Total commitments under the LPR Revolving Credit Facility were increased by \$48 million during 2021.

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We made repayments on the following debt instruments:

Instrument	Redemption price	Principal amount repaid	Non-cash component in millions	Loss on debt extinguishment
2021:				
2026 SPV Credit Facility	100%	\$ 1,000.0	\$ 1,000.0	\$ 14.3
2027 LPR Senior Secured Notes	103%	\$ 129.0	\$ —	\$ 6.0
2020:				
LPR Revolving Credit Facility	N/A	\$ 62.5	\$ —	\$ —
2019:				
LPR Bank Facility (a)	100%	\$ 942.5	\$ 922.5	\$ 6.7

(a) The LPR Bank Facility represents then outstanding term loans of \$850 million and \$92.5 million.

Maturities of Debt

As of December 31, 2021, \$1,161 million, \$620 million and \$820 million of our debt matures in 2027, 2028 and 2029, respectively.

(10) Leases

The following table provides details of our operating lease expense:

	Year ended December 31,		
	2021	2020	2019
	in millions		
Operating lease expense:			
Operating lease cost	\$ 39.9	\$ 8.9	\$ 1.3
Short-term lease cost	2.4	0.8	0.4
Total operating lease expense	\$ 42.3	\$ 9.7	\$ 1.7

Our operating lease expense is included in facility, provision, franchise and other expense, in other operating costs and expenses, in our consolidated statements of operations.

Certain other details of our operating leases are set forth below:

	December 31,	
	2021	2020
	in millions	
Operating lease right-of-use assets	<u>\$ 179.5</u>	<u>\$ 192.9</u>
Operating lease liabilities:		
Current	\$ 26.7	\$ 31.6
Noncurrent	162.8	161.3
Total operating lease liabilities	<u>\$ 189.5</u>	<u>\$ 192.9</u>
Weighted-average remaining lease term	<u>7.3 years</u>	<u>7.7 years</u>
Weighted-average discount rate	<u>4.8 %</u>	<u>4.9 %</u>

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	Year ended December 31,	
	2021	2020
	in millions	
Operating cash flows from operating leases	\$ 41.9	\$ 8.8
Right-of-use assets obtained in exchange for new operating lease liabilities (a)	\$ 31.8	\$ 195.8

- (a) Represents non-cash transactions associated with operating leases entered into during the year. The 2020 amount is attributable to leases acquired in connection with the AT&T Acquisition.

Maturities of Operating Leases

Maturities of our operating lease liabilities (in millions) as of December 31, 2021 are presented below:

Years ending December 31:	
2022	\$ 35.2
2023	32.8
2024	29.6
2025	26.1
2026	23.3
Thereafter	80.7
Total operating lease liabilities on an undiscounted basis	227.7
Present value discount	(38.2)
Present value of operating lease liabilities	\$ 189.5

(11) Other assets, net

The details of our other assets, net are set forth below:

	December 31,	
	2021	2020
	in millions	
Prepaid expenses	\$ 71.0	\$ 62.6
Notes receivable, net of allowances of \$9.1 million and \$7.9 million, respectively	56.4	52.4
Income tax receivable	38.3	39.8
Operating lease right-of-use assets	179.5	192.9
Other	31.7	12.0
Total other assets, net	\$ 376.9	\$ 359.7

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(12) Programming and Other Direct Costs of Services

Programming and other direct costs of services include programming and copyright costs, interconnect and access costs, equipment costs, which primarily relate to costs of mobile handsets and other devices, and other direct costs related to our operations.

Our programming and other direct costs of services by major category are set forth below:

	Year ended December 31,		
	2021	2020	2019
	in millions		
Programming and copyright	\$ 109.0	\$ 91.9	\$ 85.0
Interconnect	104.3	21.9	7.5
Equipment and other (a)	206.3	50.5	0.3
Total programming and other direct costs of services	<u>\$ 419.6</u>	<u>\$ 164.3</u>	<u>\$ 92.8</u>

(a) Amounts for 2021 and 2020 include \$206 million and \$50 million, respectively, related to equipment cost of goods sold.

(13) Other Operating Costs and Expenses

Other operating costs and expenses set forth in the table below comprise the following cost categories:

- **Personnel and contract labor-related** costs, which primarily include salary-related and cash bonus expenses, net of capitalizable labor costs, and temporary contract labor costs;
- **Network-related** expenses, which primarily include costs related to network access, system power, core network, and CPE repair, maintenance and test costs;
- **Service-related** costs, which primarily include professional services, information technology-related services, audit, legal and other services;
- **Commercial**, which primarily includes sales and marketing costs, such as advertising, commissions and other sales and marketing-related costs, and customer care costs related to outsourced call centers;
- **Facility, provision, franchise and other**, which primarily includes facility-related costs, provision for bad debt expense, franchise-related fees, bank fees, insurance, vehicle-related, travel and entertainment and other operating-related costs; and
- **Share-based compensation** costs that relate to share-based compensation expense that Liberty Latin America charged to our company with respect to share-based incentive awards held by certain of our employees, as further described in note 16.

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Our other operating costs and expenses by major category are set forth below:

	Year ended December 31,		
	2021	2020	2019
	in millions		
Personnel and contract labor	\$ 142.1	\$ 62.1	\$ 39.5
Network-related	40.7	6.7	4.5
Service-related	41.6	24.9	10.6
Commercial	52.5	19.0	10.9
Facility, provision, franchise and other	165.4	70.2	50.6
Share-based compensation expense	6.4	5.1	2.2
Total other operating costs and expenses	<u>\$ 448.7</u>	<u>\$ 188.0</u>	<u>\$ 118.3</u>

(14) Income Taxes

Income tax benefit (expense) consists of:

	Year ended December 31,		
	2021	2020	2019
	in millions		
Current tax benefit (expense) - Puerto Rico	\$ (11.9)	\$ (9.0)	\$ (6.1)
Current tax benefit (expense) - Foreign	(6.1)	(1.1)	—
Deferred tax benefit (expense) - Puerto Rico	(89.5)	13.0	2.8
Deferred tax benefit - U.S.	27.2	37.7	0.6
Deferred tax (expense) - Foreign	(1.1)	(0.6)	—
Total income tax benefit (expense)	<u>\$ (81.4)</u>	<u>\$ 40.0</u>	<u>\$ (2.7)</u>

Income tax benefit (expense) attributable to our company's earnings (loss) before income taxes differs from the amounts computed using the applicable income tax rate as a result of the following:

	Year ended December 31,		
	2021	2020	2019
	in millions		
Computed "expected" tax benefit (expense) (a)	\$ (32.6)	\$ 28.6	\$ 1.7
Change in valuation allowance	0.1	21.7	(3.5)
Permanent differences	(5.1)	(5.8)	(0.5)
Withholding Tax	(3.9)	(5.0)	—
International rate differential	(32.7)	0.2	0.3
Other, net	(7.2)	0.3	(0.7)
Total income tax benefit (expense)	<u>\$ (81.4)</u>	<u>\$ 40.0</u>	<u>\$ (2.7)</u>

(a) The statutory or "expected" tax rate is the U.S. Federal rate of 21.0% for 2021, 2020 and 2019.

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Deferred income taxes reflect the impact of temporary differences between the amount of assets and liabilities recognized for financial reporting purposes and such amounts recognized for tax purposes. The components of our deferred tax assets (liabilities) are as follows:

	December 31,	
	2021	2020
	in millions	
Deferred tax assets	\$ 0.9	\$ 1.5
Deferred tax liabilities	(450.7)	(349.0)
Net deferred tax liability	<u>\$ (449.8)</u>	<u>\$ (347.5)</u>

The tax effects of temporary differences that give rise to significant portions of the deferred tax assets and deferred tax liabilities are presented below:

	December 31,	
	2021	2020
	in millions	
Deferred tax assets:		
Net operating losses, credits and other carryforwards	\$ 392.0	\$ 309.0
Deferred revenue	18.6	15.1
Other future deductible amounts	8.3	14.6
Deferred tax assets	418.9	338.7
Valuation allowance	(2.6)	(2.7)
Deferred tax assets, net of valuation allowance	<u>416.3</u>	<u>336.0</u>
Deferred tax liabilities:		
Investments	(152.5)	(105.9)
Intangible assets	(565.7)	(478.5)
Property and equipment, net	(131.4)	(89.4)
Other future taxable amounts	(16.5)	(9.7)
Deferred tax liabilities	(866.1)	(683.5)
Net deferred tax liabilities	<u>\$ (449.8)</u>	<u>\$ (347.5)</u>

Liberty PR is not a separate tax-paying entity for U.S. federal or state income tax purposes. Accordingly, the taxable income of Liberty PR is included in the income tax returns of our partners. Income taxes reflected in our financial statements relate to the activities of our subsidiaries.

Our subsidiaries file consolidated and/or separate income tax returns and operate in the United States, Puerto Rico and U.S. Virgin Islands. Our deferred income tax valuation allowance is primarily related to net operating loss and accrued and unpaid interest carryforward attributes generated on stand-alone activities of LCPR Ventures and Cayman Holding in Puerto Rico in light of recent Puerto Rico tax reform which restricts the ability of corporate partners to utilize stand-alone losses against sources of income derived from underlying partnerships. Our estimate of realization is based on projected earnings (including timing of such earnings), reversal of deferred tax liabilities and consideration of any technical limitations on realization.

As of December 31, 2021, our tax loss carryforwards and related tax assets were \$172 million and \$38 million, respectively, for Puerto Rico purposes. Such tax loss carryforwards have an expiration period between 2027 through 2031. As of December 31, 2021, our tax loss carryforwards and related tax assets were \$38 million and \$9 million, respectively, for U.S. Virgin Islands purposes. Such tax loss carryforwards expire beginning in the year 2033 and are subject to annual limitation on use, but expected to be fully realized.

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For Puerto Rico tax purposes, our alternative minimum tax credits are \$48 million, for which the current tax law provides no period of expiration, and for U.S. federal tax purposes our foreign tax credits are \$9 million, for which substantially all credits not utilized will expire at the end of 2031.

In the normal course of business, the income tax filings of our subsidiaries are subject to review by various taxing authorities. In connection with such reviews, disputes could arise with the taxing authorities over the interpretation or application of certain income tax rules related to our business in that tax jurisdiction. Such disputes may result in future tax and interest assessments by these taxing authorities. The ultimate resolution of tax contingencies will take place upon the earlier of (i) the settlement date with the applicable taxing authorities in either cash or agreement of income tax positions or (ii) the date when the tax authorities are statutorily prohibited from adjusting the company's tax computations.

We maintain an uncertain tax position reserve of nil and \$1 million as of December 31, 2021 and 2020, respectively.

The tax returns filed by our company for tax years prior to 2017 are no longer subject to examination by tax authorities. We do not anticipate that any adjustments that might arise from tax authorities' examinations would have a material impact on our consolidated financial position or results of operations.

(15) Partners' Capital

In March 2021, we made a distribution of \$59 million to another subsidiary of Liberty Latin America which is reflected as a financing outflow in our consolidated statement of cash flows.

During the fourth quarter of 2020, we received an equity contribution of \$672 million from Liberty Latin America, of which \$70 million related to a non-cash equity settlement of the LiLAC Loan. A portion of this equity contribution was used to fund the AT&T Acquisition. For additional information regarding the AT&T Acquisition, see note 4.

In April 2019, the C&W Transfer took place. In connection with the C&W Transfer, we paid C&W \$16 million, which is reflected as an investing cash outflow in our consolidated statement of cash flows, representing the estimated fair value of the net assets acquired. We accounted for the C&W Transfer as a transfer of assets under common control, and, as such, the excess consideration paid over the aggregate carrying value of the net assets received has been reflected as a decrease to our partners' capital.

(16) Related-party Transactions

Our related-party transactions are as follows:

	Year ended December 31,		
	2021	2020	2019
	in millions		
Revenue	\$ 1.7	\$ 1.4	\$ 1.7
Programming and other direct costs of services	\$ 8.3	\$ 6.7	\$ 5.7
Other operating costs and expenses	\$ 8.5	\$ 2.6	\$ 0.8
Share-based compensation expense	\$ 6.4	\$ 5.1	\$ 2.2
Related-party fees and allocations:			
Other operating costs and expenses	\$ 13.2	\$ 7.5	\$ 5.1
Share-based compensation	13.1	7.1	4.0
Management fee	38.4	0.6	0.4
Total fees and allocations	\$ 64.7	\$ 15.2	\$ 9.5
Interest income	\$ 10.2	\$ —	\$ —
Realized and unrealized gains (losses) on derivative instruments, net	\$ (12.8)	\$ (2.8)	\$ —

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

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

Other operating costs and expenses. These amounts, which are cash settled, include (i) insurance costs allocated to us by a subsidiary of Liberty Latin America and (ii) various services provided by subsidiaries of Liberty Latin America. Beginning in 2020, the amounts also include our estimated share of costs charged to our company by Liberty Latin America, primarily related to personnel costs.

Share-based compensation expense. These amounts represent share-based compensation expense that Liberty Latin America allocated to our company with respect to share-based incentive awards held by certain of our employees. These charges, which are cash settled, and is included in other accrued and current liabilities in our consolidated balance sheets. Beginning in 2020, the amounts include estimated bonus-related expenses that will be paid in the form of Liberty Latin America equity.

Related-party fees and allocations. These amounts represent fees charged to our company by Liberty Latin America and are expected to be cash settled. Although we believe the related-party fees and allocations described below are reasonable, no assurance can be given that the related-party costs and expenses reflected in our consolidated statements of operations are reflective of the costs that we would incur on a standalone basis. The categories of our fees and allocations are as follows:

- *Other operating costs and expenses (exclusive of depreciation and share-based compensation).* The amounts included in this category represents our estimated share of certain centralized technology, management, marketing, finance, legal and other operating costs of Liberty Latin America's operations, whose activities benefit multiple operations, including operations within and outside of our company. The amounts allocated represent our estimated share of the actual costs incurred by the operations of Liberty Latin America, without a mark-up.
- *Share-based compensation.* The amounts included in this category represent share-based compensation associated with employees of Liberty Latin America who are not employees of our company. The amounts allocated represent our estimated share of the actual costs incurred by the operations of Liberty Latin America, without a mark-up.
- *Management fee.* The amounts included in this category represent our estimated allocable share of the mark-up, if any, applicable to (i) each category of the related-party fees and allocations charged to our company and (ii) other operating costs and expenses allocated to us by related parties. Beginning in the fourth quarter of 2021 and stemming from the AT&T Acquisition, there was a change to how the management fee from Liberty Latin America is calculated, which resulted in an increase to the mark-up. While not invoiced until the fourth quarter of 2021, the increase in these charges represent amounts incurred since January 1, 2021.

Interest income. This amount relates to the LiLAC Services Receivable.

Realized and unrealized gains (losses) on derivative instruments, net. These amounts represent amortization of the premium associated with our Weather Derivative contract, which is underwritten by another subsidiary of Liberty Latin America.

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

	December 31,	
	2021	2020
	in millions	
Assets:		
Prepaid expenses (a)	\$ 1.3	\$ —
Other current assets (b)	9.7	9.2
Related-party notes receivable (c)	257.4	—
Other assets, net (d)	10.4	1.5
Total assets	<u>\$ 278.8</u>	<u>\$ 10.7</u>
Liabilities:		
Accounts payable (e)	\$ 9.2	\$ 7.7
Other accrued and current liabilities (f)	60.5	16.3
Total liabilities	<u>\$ 69.7</u>	<u>\$ 24.0</u>

- (a) The amount relates to insurance premiums allocated to us by another subsidiary of Liberty Latin America.
- (b) The amounts represent receivables due from other subsidiaries of Liberty Latin America that are expected to be cash settled. In addition, the 2021 amount includes the premium associated with the Weather Derivative.
- (c) The amount relates to the LiLAC Services Receivable, which reflects funds that were loaned to entities outside of the Senior Secured Covenant Group in March 2021. Interest on the LiLAC Services Receivable accrues and is either (i) payable on the first day of January and December each year and on the date of each full or partial repayment of the outstanding principal or (ii) transferred to the principal balance of the loan on January 1 of each year. We have reflected the issuance of the LiLAC Services Receivable as an investing activity in our consolidated statement of cash flows.
- (d) The amounts primarily represent various receivables due from other subsidiaries of Liberty Latin America that are expected to be cash settled. In addition, the 2021 amount includes an accrued interest receivable balance related to the LiLAC Services Receivable.
- (e) The amounts primarily represent various non-interest bearing payables due to other subsidiaries of Liberty Latin America that are expected to be cash settled.
- (f) The amounts primarily represent liabilities due to other subsidiaries of Liberty Latin America associated with (i) related-party fees and allocations, which increased during the fourth quarter of 2021 for reasons stated above, and (ii) allocated share based compensation expense, each as described further above. In addition, the 2021 amount includes a liability payable to another subsidiary of Liberty Latin America related to the Weather Derivative and the 2020 amount includes liabilities associated with mobile handset insurance service provided to us by another subsidiary of Liberty Latin America. All of the aforementioned liabilities are non-interest bearing and are cash settled.

In October 2020, we entered into the LiLAC Loan. The LiLAC Loan was non-interest bearing and, through a series of related-party agreements during the fourth quarter of 2020, was non-cash equity settled by way of a \$70 million equity contribution from another subsidiary of Liberty Latin America.

(17) Commitments and Contingencies

Guarantees and Other Credit Enhancements

In the ordinary course of business, we may provide (i) indemnifications to our lenders, our vendors and certain other parties, and (ii) performance and/or financial guarantees to local municipalities, our customers and vendors. Historically, these arrangements have not resulted in our company making any material payments and we do not believe that they will result in material payments in the future.

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Legal and Regulatory Proceedings and Other Contingencies

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

(18) Revenue by Product

Our revenue by major category is set forth in the table below and includes the following categories:

- residential fixed subscription and residential mobile services revenue, which includes amounts received from subscribers for ongoing fixed and airtime services, respectively;
- residential fixed non-subscription revenue, which primarily includes late fees, advertising revenue and franchise fees; and
- B2B service revenue, which primarily includes broadband internet, video, fixed-line telephony, mobile and managed services (including equipment installation contracts) offered to small (including small or home office), medium and large enterprises and, on a wholesale basis, other telecommunication operators.

	Year ended December 31,		
	2021	2020	2019
	in millions		
Residential revenue:			
Residential fixed revenue:			
Subscription revenue:			
Video	\$ 156.7	\$ 147.2	\$ 140.9
Broadband internet	253.3	204.7	175.0
Fixed-line telephony	28.2	25.5	23.4
Total subscription revenue	438.2	377.4	339.3
Non-subscription revenue	19.3	17.7	21.7
Total residential fixed revenue	457.5	395.1	361.0
Residential mobile revenue:			
Service revenue	486.9	82.9	—
Interconnect, inbound roaming, equipment sales and other (a)	254.4	50.6	—
Total residential mobile revenue	741.3	133.5	—
Total residential revenue	1,198.8	528.6	361.0
B2B service revenue (b)	220.4	89.8	51.1
Other revenue (c)	37.5	5.7	—
Total	\$ 1,456.7	\$ 624.1	\$ 412.1

- (a) Amounts for 2021 and 2020 include \$69 million and \$11 million, respectively, of inbound roaming revenue and \$170 million and \$38 million, respectively, of revenue from sales of mobile handsets and other devices.
- (b) Amounts for 2021 and 2020 include \$17 million and \$7 million, respectively, of revenue from sales of mobile handsets and other devices to B2B mobile customers.
- (c) Amounts relate to revenue received from the FCC primarily related to Liberty Mobile following the closing of the AT&T Acquisition.