FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of The Securities and Exchange Act of 1934

Date of Report (Date of earliest event reported): May 3, 2018

HC2 HOLDINGS, INC.

Delaware	**001-35210**	**54-1708481**
(State or other jurisdiction of incorporation)	(Commission File Number)	(IRS Employer Identification No.)

450 Park Avenue, 30th Floor
New York, NY 10022
(Address of principal executive offices)

(212) 235-2690
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

☐ Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
☐ Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
☐ Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
☐ Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))

Indicate by check mark whether the registrant is an emerging growth company as defined in as defined in Rule 405 of the Securities Act of 1933 (§230.405 of this chapter) or Rule 12b-2 of the Securities Exchange Act of 1934 (§240.12b-2 of this chapter).

Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

Item 7.01 Regulation FD Disclosure

On May 3, 2018, HC2 Holdings, Inc. (“HC2”) announced that it commenced a private offering of $105 million aggregate principal amount of its 11.000% Senior Secured Notes due 2019 (the “Notes Offering”) to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the “Securities Act”), and to certain persons in offshore transactions in accordance with Regulation S under the Securities Act. HC2 previously issued $400 million aggregate principal amount of its 11.000% Senior Secured Notes due 2019.

A copy of the press release announcing the Notes Offering is furnished with this Current Report on Form 8-K as Exhibit 99.1 and is incorporated herein by reference.

In connection with the Notes Offering, HC2 is providing prospective investors with certain financial and other information of HC2, which HC2 is furnishing with this report as outlined below. This information, which has not been previously reported, is excerpted from a preliminary offering memorandum that is being disseminated in connection with the Notes Offering or from an investor presentation related thereto, as outlined below:

Information	Furnished as Exhibit
Press Release, dated May 3, 2018	99.1
Non-GAAP Financial Measures	99.2
Recent Developments	99.3
Risk Factors	99.4
Unaudited Pro Forma and Historical Condensed Combined Financial Statements	99.5
Selected Investor Presentation Materials	99.6

This Current Report on Form 8-K does not constitute an offer to sell or the solicitation of an offer to buy any security and shall not constitute an offer, solicitation or sale of any security in any jurisdiction in which such offering, solicitation or sale would be unlawful. The Senior Secured Notes being offered in the Notes Offering will not be and have not been registered under the Securities Act and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the Securities Act.

This information shall not be deemed “filed” for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or otherwise subject to the liabilities of that section, and shall not be deemed to be incorporated by reference into any of HC2’s filings under the Securities Act or the Exchange Act, whether made before or after the date hereof and regardless of any general incorporation language in such filings, except to the extent expressly set forth by specific reference in such a filing.

Forward Looking Statements

This Current Report on Form 8-K, including Exhibits 99.1 and 99.2, contains forward-looking statements. Actual results, events or developments may differ materially from those anticipated or discussed in any forward-looking statement. These statements are subject to risks, uncertainties and other factors, as discussed further in the press release attached hereto as Exhibit 99.1.

Item 9.01 Financial Statements and Exhibits

(d) Exhibits

Exhibit No.	
99.1	Press Release issued by the Company, dated May 3, 2018, titled "HC2 Holdings Announces Launch of Private Offering of $105 Million Senior Secured Notes "
99.2	Non-GAAP Financial Measures
99.3	Recent Developments
99.4	Risk Factors
99.5	Unaudited Pro Forma Combined and Historical Consolidated Financial Statements
99.6	Selected Investor Presentation Materials

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

		HC2 Holdings, Inc.
May 3, 2018	By:	*/s/ Michael J. Sena*
		Name: Michael J. Sena Title: Chief Financial Officer

Exhibit 99.1

FOR IMMEDIATE RELEASE

HC2 Holdings Announces Launch of Private Offering of $105 Million Senior Secured Notes

Net Proceeds to Refinance Senior Secured Bridge Loans,
for Working Capital and General Corporate Purposes

New York, May 3, 2018 (GlobeNewswire) - HC2 Holdings, Inc. ("HC2") (NYSE: HCHC), a diversified holding company, announced today a private offering of $105 million aggregate principal amount of its 11.000% Senior Secured Notes due 2019 (the "Notes"). The Company expects to use the net proceeds from the issuance of the notes to refinance all of its outstanding senior secured bridge loans (the "Bridge Loans"), for working capital for the Company and its subsidiaries and for general corporate purposes, including the financing of future acquisitions and investments.

The net proceeds from the Bridge Loans were used by HC2 to complete various acquisitions, including the majority equity interest in DTV America Corporation, the assets of Mako Communications, LLC and Three Angels Broadcasting Network, Inc., as well as certain entities from OTA Broadcasting, LLC, Azteca America, and the acquisition of substantially all of the assets of Northstar and to pay fees and expenses relating to these acquisitions.

The Notes will be issued under the same indenture as the Company's existing 11.000% Senior Secured Notes due 2019 (the "Existing Notes"). The Notes will constitute part of a single class of securities with, the Existing Notes. The offering of Notes is subject to market conditions and other factors.

The Notes will be offered only to "qualified institutional buyers" in reliance on Rule 144A under the Securities Act of 1933, as amended (the "Securities Act"), and outside the United States to non-U.S. persons in compliance with Regulation S under the Securities Act.

The Notes have not been and will not be registered under the Securities Act and may not be offered or sold in the United States absent registration or an applicable exemption from the registration requirements of the Securities Act.

This press release does not constitute an offer to sell or the solicitation of an offer to buy any security and shall not constitute an offer, solicitation or sale of any security in any jurisdiction in which such offering, solicitation or sale would be unlawful.

About HC2

HC2 Holdings, Inc. is a publicly traded (NYSE: HCHC) diversified holding company, which seeks opportunities to acquire and grow businesses that can generate long-term sustainable free cash flow and attractive returns in order to maximize value for all stakeholders. HC2 has a diverse array of operating subsidiaries across eight reportable segments, including Construction, Marine Services, Energy, Telecommunications, Life Sciences, Broadcasting, Insurance and Other. HC2's largest operating subsidiaries include DBM Global Inc., a family of companies providing fully integrated structural and steel construction services, and Global Marine Systems Limited, a leading provider of engineering and underwater services on submarine cables. Founded in 1994, HC2 is headquartered in New York, New York. Learn more about HC2 and its portfolio companies at www.hc2.com.

Cautionary Statement Regarding Forward Looking Statements

Safe Harbor Statement Under the Private Securities Litigation Reform Act of 1995: This release contains, and certain oral statements made by our representatives from time to time may contain, forward-looking statements, including statements regarding the commencement or completion of the offering. Generally, forward-looking statements include information describing the offering and other actions, events, results, strategies and expectations and are generally identifiable by use of the words “believes,” “expects,” “intends,” “anticipates,” “plans,” “seeks,” “estimates,” “projects,” “may,” “will,” “could,” “might,” or “continues” or similar expressions. The forward-looking statements in this press release include, without limitation, statements regarding our expectation regarding building shareholder value. Such statements are based on the beliefs and assumptions of HC2’s management and the management of HC2’s subsidiaries and portfolio companies. The Company believes these judgments are reasonable, but you should understand that these statements are not guarantees of performance or results, and the Company’s actual results could differ materially from those expressed or implied in the forward-looking statements due to a variety of important factors, both positive and negative, that may be revised or supplemented in subsequent reports on Forms 10-K, 10-Q and 8-K. Such important factors include, without limitation, the ability of our subsidiaries (including target businesses following their acquisition) to generate sufficient net income and cash flows to make upstream cash distributions, capital market conditions, our subsidiaries’ ability to identify any suitable future acquisition opportunities, efficiencies/cost avoidance, cost savings, income and margins, growth, economies of scale, combined operations, future economic performance, conditions to, and the timetable for, completing the integration of financial reporting of acquired or target businesses with HC2 or the applicable subsidiary of HC2, completing future acquisitions and dispositions, litigation, potential and contingent liabilities, management’s plans, changes in regulations and taxes. These risks and other important factors discussed under the caption “Risk Factors” in our most recent Annual Report on Form 10- K filed with the Securities and Exchange Commission (“SEC”), and our other reports filed with the SEC could cause actual results to differ materially from those indicated by the forward-looking statements made in this press release.

You should not place undue reliance on forward-looking statements. All forward-looking statements attributable to HC2 or persons acting on its behalf are expressly qualified in their entirety by the foregoing cautionary statements. All such statements speak only as of the date made, and HC2 undertakes no obligation to update or revise publicly any forward-looking statements, whether as a result of new information, future events or otherwise.

For information on HC2 Holdings, Inc., please contact: Andrew G. Backman
Managing Director Investor Relations & Public Relations abackman@hc2.com 212-339-5836

Exhibit 99.2

NON-GAAP FINANCIAL MEASURES

Adjusted EBITDA is a “non-GAAP financial measure” as defined under the rules of the SEC.

Adjusted EBITDA represents EBITDA net income (loss) attributable to HC2 Holdings, Inc., adjusted for depreciation and amortization, interest expense and income tax (benefit) expense), adjusted to exclude our Insurance segment and add back or deduct certain items that management believes are non-recurring in nature or not comparable from period to period. See below for the definition of Adjusted EBITDA employed by HC2.

Our management uses Adjusted EBITDA as a supplemental financial measure to assess:

- the financial performance of our assets without regard to our Insurance segment, financing methods, capital structure, taxes, historical cost basis or non-recurring expenses;
- our liquidity and operating performance over time in relation to other companies that own similar assets and calculate Adjusted EBITDA in a similar manner; and
- the ability of our assets to generate cash sufficient to pay potential interest cost.

We use Adjusted EBITDA as presented in this offering memorandum as a supplemental measure of our performance. Adjusted EBITDA is not defined under generally accepted accounting principles in the United States (“GAAP” or “US GAAP”) and is not a measure of operating income, operating performance or liquidity presented in accordance with GAAP.

Adjusted EBITDA has limitations as an analytical tool and when assessing our operating performance or liquidity, investors and others should not consider this data in isolation or as a substitute for net income (loss) attributable to HC2 Holdings, Inc., cash flow from operating activities or other cash flow data calculated in accordance with GAAP.

Further, the results presented by Adjusted EBITDA cannot be achieved without incurring the costs that the measure excludes: interest, taxes, depreciation and amortization. Please see the audited and unaudited financial statements and the notes thereto of HC2 incorporated by reference into this offering memorandum.

Adjusted EBITDA Reconciliations

The calculation of Adjusted EBITDA, as defined by us, consists of net income (loss) attributable to HC2, excluding our Insurance segment, as adjusted for depreciation and amortization; amortization of equity method fair value adjustments at acquisition; (gain) loss on sale or disposal of assets; lease termination costs; asset impairment expense; interest expense; net gain (loss) on contingent consideration; loss on early extinguishment or restructuring of debt; other (income) expense, net; foreign currency transaction (gain) loss included in cost of revenue; income tax (benefit) expense; (gain) loss from discontinued operations; noncontrolling interest; bonus to be settled in equity; share-based compensation expense; non-recurring items; and acquisition costs.

Adjusted EBITDA is not a measurement recognized under U.S. GAAP. In addition, other companies may define Adjusted EBITDA differently than we do, which could limit its usefulness. Management believes that Adjusted EBITDA provides investors with meaningful information for gaining an understanding of our results as it is frequently used by the financial community to provide insight into an organization's operating trends and facilitates comparisons between peer companies, since interest, taxes, depreciation, amortization and the other items listed in the definition of Adjusted EBITDA below can differ greatly between organizations as a result of differing capital structures and tax strategies. Adjusted EBITDA can also be a useful measure of a company's ability to service debt. While management believes that non-U.S. GAAP measurements are useful supplemental information, such adjusted results are not intended to replace our U.S. GAAP financial results. Using Adjusted EBITDA as a performance measure has inherent limitations as an analytical tool as compared to net income (loss) or other U.S. GAAP financial measures, as this non-GAAP measure excludes certain items, including items that are recurring in nature, which may be meaningful to investors. As a result of the exclusions, Adjusted EBITDA should not be considered in isolation and does not purport to be an alternative to net income (loss) or other U.S. GAAP financial measures as a measure of our operating performance. Adjusted EBITDA excludes the results of operations of our Insurance segment.

The following table provides the reconciliation of Adjusted EBITDA to net income (loss), the most directly comparable GAAP measure:

(in thousands):	December 31, 2017							
	Core Operating Subsidiaries				Early Stage and Other			
	Construction	Marine Services	Energy	Telecom	Life Sciences	Other and Eliminations	Non-operating Corporate	HC2
Net loss attributable to HC2 Holdings, Inc.								$ (46,911)
Less: Net Income attributable to HC2 Holdings Insurance Segment								7,066
Net Income (loss) attributable to HC2 Holdings, Inc., excluding Insurance Segment	$ 23,624	$ 15,173	$ (516)	$ 6,163	$ (18,098)	$ (18,005)	$ (62,318)	$ (53,977)
Adjustments to reconcile net income (loss) to Adjusted EBITDA:								
Depreciation and amortization	5,583	22,898	5,071	371	186	1,508	71	35,688
Depreciation and amortization (included in cost of revenue)	5,254	—	—	—	—	—	—	5,254
Amortization of equity method fair value adjustment at acquisition	—	(1,594)	—	—	—	—	—	(1,594)
Asset impairment expense	—	—	—	—	—	1,810	—	1,810
(Gain) loss on sale or disposal of assets	292	(3,500)	247	181	—	—	—	(2,780)
Lease termination costs	—	249	—	17	—	—	—	266
Interest expense	976	4,392	1,181	41	—	4,373	44,135	55,098
Net gain on contingent consideration	—	—	—	—	—	—	(11,411)	(11,411)
Other (income) expense, net	(41)	2,683	1,488	149	(17)	6,541	(92)	10,711
Foreign currency gain (included in cost of revenue)	—	(79)	—	—	—	—	—	(79)
Income tax (benefit) expense	10,679	203	(4,243)	7	(820)	(1,129)	(10,185)	(5,488)
Noncontrolling interest	1,941	260	(681)	—	(3,936)	(1,164)	—	(3,580)
Bonus to be settled in equity	—	—	—	—	—	—	4,130	4,130
Share-based compensation expense	—	1,527	364	—	319	279	2,754	5,243
Non-recurring items	—	—	—	—	—	—	—	—
Acquisition costs	3,280	1,815	—	—	—	2,648	3,764	11,507
Adjusted EBITDA	$ 51,588	$ 44,027	$ 2,911	$ 6,929	$ (22,366)	$ (3,139)	$ (29,152)	$ 50,798
Total Core Operating Subsidiaries	$ 105,455							

(in thousands):

	December 31, 2016							
	Core Operating Subsidiaries				Early Stage and Other			
	Construction	Marine Services	Energy	Telecom	Life Sciences	Other and Eliminations	Non-operating Corporate	HC2
Net loss attributable to HC2 Holdings, Inc.								$ (94,549)
Less: Net loss attributable to HC2 Holdings Insurance Segment								(14,028)
Net Income (loss) attributable to HC2 Holdings, Inc., excluding Insurance Segment	$ 28,002	$ 17,447	$ 7	$ 1,435	$ (7,646)	$ (24,800)	$ (94,966)	$ (80,521)
Adjustments to reconcile net income (loss) to Adjusted EBITDA:								
Depreciation and amortization	1,892	22,007	2,248	504	124	1,480	9	28,264
Depreciation and amortization (included in cost of revenue)	4,370	—	—	—	—	—	—	4,370
Amortization of equity method fair value adjustment at acquisition	—	(1,371)	—	—	—	—	—	(1,371)
(Gain) loss on sale or disposal of assets	1,663	(9)	—	708	—	—	—	2,362
Lease termination costs	—	—	—	179	—	—	—	179
Interest expense	1,239	4,774	211	—	—	1,164	35,987	43,375
Net loss (gain) on contingent consideration	—	(2,482)	—	—	—	—	11,411	8,929
Other (income) expense, net	(163)	(2,424)	(8)	(87)	(3,213)	9,987	(1,277)	2,815
Foreign currency gain (included in cost of revenue)	—	(1,106)	—	—	—	—	—	(1,106)
Income tax (benefit) expense	18,727	1,394	(535)	2,803	1,558	3,250	11,245	38,442
Noncontrolling interest	1,834	974	(4)	—	(3,111)	(2,575)	—	(2,882)
Bonus to be settled in equity	—	—	—	—	—	—	2,503	2,503
Share-based compensation expense	—	1,682	597	—	251	273	5,545	8,348
Non-recurring items	—	—	—	—	—	—	1,513	1,513
Acquisition costs	2,296	290	27	18	—	—	2,312	4,943
Adjusted EBITDA	$ 59,860	$ 41,176	$ 2,543	$ 5,560	$ (12,037)	$ (11,221)	$ (25,718)	$ 60,163
Total Core Operating Subsidiaries	$ 109,139							

(in thousands):	December 31, 2015							
	Construction	Marine Services	Telecom	Energy	Life Sciences	Other and Eliminations	Non-operating Corporate	HC2
Net Income (loss) attributable to HC2 Holdings, Inc.								$ (35,565)
Less: Net Income (loss) attributable to HC2 Holdings Insurance Segment								1,327
Net Income (loss) attributable to HC2 Holdings, Inc., excluding Insurance Segment	$ 24,451	$ 20,855	$ 2,779	$ (274)	$ (4,575)	$ (18,276)	$ (61,852)	$ (36,892)
Adjustments to reconcile net income (loss) to Adjusted EBITDA:								
Depreciation and amortization	2,016	18,772	417	1,635	20	1,934	—	24,794
Depreciation and amortization (included in cost of revenue)	7,659	—	—	—	—	—	—	7,659
Amortization of equity method fair value adjustments at acquisition	—	(1,516)	—	—	—	—	—	(1,516)
(Gain) loss on sale or disposal of assets	257	(138)	50	—	—	1	—	170
Lease termination costs	—	—	1,184	—	—	1	—	1,185
Asset impairment expense	—	547	—	—	—	—	—	547
Interest expense	1,379	3,803	—	42	—	—	33,793	39,017
Other (income) expense, net	(443)	(1,340)	(2,304)	(42)	(1)	5,764	5,242	6,876
Foreign currency (gain) loss (included in cost of revenue)	—	(2,039)	—	—	—	—	—	(2,039)
Income tax (benefit) expense	15,572	400	(237)	(347)	(1,037)	(7,733)	(16,052)	(9,434)
Loss from discontinued operations	20	—	—	—	—	1	—	21
Noncontrolling interest	1,136	616	—	(267)	(1,681)	(1)	—	(197)
Share-based payment expense	—	—	—	49	71	—	10,982	11,102
Acquisition and nonrecurring items	—	2,181	121	70	23	—	8,362	10,757
Adjusted EBITDA	$ 52,047	$ 42,141	$ 2,010	$ 866	$ (7,180)	$ (18,309)	$ (19,525)	$ 52,050

Exhibit 99.3

RECENT DEVELOPMENTS

Preliminary Data for the First Quarter of 2018

While we do not have complete financial results for the fiscal quarter ended March 31, 2018, we do have certain preliminary information for certain of our businesses, investments and segments.

GMSL Preliminary Data

Based on preliminary data for GMSL, our Marine Services segment, we currently anticipate its income from joint ventures and associates (accounted for under the equity method) will be adversely affected by the operations of Huawei Marine Networks ("HMN", in which GMSL holds a 49% stake) in China. Two of HMN's major turn-key projects that commenced in prior periods booked negligible revenue during the quarter as a result of the normal project cycle. The fixed costs of the operations (manufacturing, distribution and SG&A) were still incurred and this led to a significant loss after tax in the quarter, although the volume and profitability of these two projects are expected to ramp up across the remainder of 2018. As a result, we expect the Marine Services segment to report slightly negative Adjusted EBITDA for the quarter. However, we believe the above represent short term timing issues and do not believe this indicates an ongoing problem or a deterioration in GMSL's (our Marine Services segment's) long-term performance. We expect GMSL to report backlog at levels consistent with those reported at year end, reflective of normal burn off recognized in the first quarter on its maintenance contracts, in addition to strong backlog from HMN.

Other Core Segment Preliminary Data

Based on preliminary data, we currently expect to report Adjusted EBITDA in aggregate for our other core segments, which include Construction, Energy and Telecommunications, at levels consistent with the first quarter of the prior year. Because the reporting period for the first quarter of 2018 has recently ended, these preliminary anticipated results reflect assumptions and estimates based only upon preliminary information available to us as of the date of this offering memorandum. Neither our independent registered public accounting firm nor any other independent registered public accounting firm has audited or reviewed these preliminary results, nor have they expressed any opinion or any other form of assurance on the preliminary results. As a result of the foregoing, while this information is presented in a manner that is considered reasonable by us, it is subject to change pending finalization. Actual results for the first quarter of 2018 could differ materially from the above expectations. In addition, our Marine Services segment's results and our Construction segment's results could be materially adversely affected by any of the risks set forth under "Risk Factors-Risks Related to Our Business", including any of the risks set forth under "-Risks Related to GMSL", or items described under "Special Note Regarding Forward-Looking Statements."

BeneVir Disposition

On May 2, 2018, we announced that BeneVir Biopharm, Inc. ("BeneVir"), a development stage company focused on the development of a patent-protected oncolytic virus, BV-2711, for the treatment of solid cancer tumors, entered into a definitive agreement to be acquired by Janssen Biotech, Inc. ("Janssen") for upfront consideration of $140.0 million, subject to adjustment, and potential development and commercial milestones of up to $900.0 million in cash (the "BeneVir Disposition"). BeneVir is a portfolio company of Pansend Life Sciences, LLC ("Pansend"), our Life Sciences segment. Pansend is the owner of all of BeneVir's outstanding preferred stock, through which Pansend holds an approximate 80%, or 76% on a fully diluted basis, controlling interest in BeneVir. The closing of the transaction is subject to customary closing conditions, including clearance under the Hart-Scott-Rodino Antitrust Improvements Act. The transaction is expected to close in the second quarter of 2018. HC2 expects to receive in excess of $80.0 million in net proceeds from the upfront consideration of the BeneVir Disposition, including approximately $10.0 million of amounts to be held in escrow.

Exhibit 99.4

RISK FACTORS

Risks Related to Our Businesses

We rely on information systems to conduct our businesses, and failure to protect these systems against security breaches and otherwise to implement, integrate, upgrade and maintain such systems in working order could have a material adverse effect on our results of operations, cash flows or financial condition.

The efficient operation of our businesses is dependent on computer hardware and software systems. For instance, HC2 and its subsidiaries rely on information systems to process customer orders, manage inventory and accounts receivable collections, purchase products, manage accounts payable processes, track costs and operations, maintain client relationships and accumulate financial results. Despite our implementation of industry-accepted security measures and technology, our information systems are vulnerable to and have been in the past subject to computer viruses, malicious codes, unauthorized access, phishing efforts, denial-of-service attacks and other cyber attacks and we expect to be subject to similar attacks in the future as such attacks become more sophisticated and frequent. There can be no assurance that our cyber-security measures and technology will adequately protect us from these and other risks, including external risks such as natural disasters and power outages and internal risks such as insecure coding and human error. Attacks perpetrated against our information systems could result in loss of assets and critical information, theft of intellectual property or inappropriate disclosure of confidential information and could expose us to remediation costs and reputational damage. In addition, the unexpected or sustained unavailability of the information systems or the failure of these systems to perform as anticipated for any reason, including cyber-security attacks and other intentional hacking, could subject us to legal claims if there is loss, disclosure or misappropriation of or access to our customers' information and could result in service interruptions, safety failures, security violations, regulatory compliance failures, an inability to protect information and assets against intruders, sensitive data being lost or manipulated and could otherwise disrupt our businesses and result in decreased performance, operational difficulties and increased costs, any of which could adversely affect our business, results of operations, financial condition or liquidity.

Foreign currency fluctuations can impact our financial results.

Foreign currency fluctuations can impact our financial results. During the years ended December 31, 2017, 2016, and 2015, approximately 11.5%, 28.4%, and 36.4% respectively, of our net revenue from continuing operations was derived from sales and operations outside the U.S. The reporting currency for our Consolidated Financial Statements is the United States dollar ("USD"). The local currency of each country is the functional currency for each of our respective entities operating in that country.

In the future, we expect to continue to derive a portion of our net revenue and incur a portion of our operating costs from outside the U.S., and therefore changes in exchange rates may continue to have a significant, and potentially adverse, effect on our results of operations. Our risk of loss regarding foreign currency exchange rate risk is caused primarily by fluctuations in the USD/British pound sterling ("GBP") exchange rate. Changes in the exchange rate of USD relative to the GBP could have an adverse impact on our future results of operations. We have agreements with certain subsidiaries for repayment of a portion of the investments and advances made to these subsidiaries. As we anticipate repayment in the foreseeable future, we recognize the unrealized gains and losses in foreign currency transaction gain (loss) on the Consolidated Financial Statements. The exposure of our income from operations to fluctuations in foreign currency exchange rates is reduced in part because certain of the costs that we incur in connection with our foreign operations are also denominated in local currencies.

We are exposed to financial statement gains and losses as a result of translating the operating results and financial position of our international subsidiaries. We translate the local currency statements of operations of our foreign subsidiaries into USD using the average exchange rate during the reporting period. Changes in foreign exchange rates affect the reported profits and losses and cash flows of our international subsidiaries and may distort comparisons from year to year . By way of example, when the USD strengthens compared to the GBP, there could be a negative or positive effect on the reported results for our Telecommunications segment, depending upon whether such businesses are operating profitably or at a loss. More profits in GBP are required to generate the same amount of profits in USD and a greater loss in GBP to generate the same amount of loss in USD, and vice versa. For instance, when the USD weakens against the GBP, there is a positive effect on reported profits and a negative effect on reported losses.

We are subject to risks associated with our international operations.

Furthermore, significant developments stemming from the change in the U.S. Presidential Administration could have a material adverse effect on HC2. The U.S. Presidential Administration has expressed antipathy towards existing trade agreements, like NAFTA, and proposed restrictions on free trade generally and significant increases on tariffs on goods imported into the United States, particularly from China. Further changes in U.S. social, political, regulatory and economic conditions or in laws and policies governing foreign trade, manufacturing, development and investment in the territories and countries where we currently develop and sell products, and any negative sentiments towards the United States as a result of such changes, could adversely affect our business. In addition, negative sentiments towards the United States among non-U.S. customers and among non-U.S. employees or prospective employees could adversely affect sales or hiring and retention, respectively.

HC2 HOLDINGS, INC.
UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

The following unaudited pro forma condensed combined balance sheet as of December 31, 2017 and the unaudited pro forma condensed combined statements of operations for the year ended December 31, 2017 of HC2 Holdings, Inc. ("HC2", "we", "us", "the Company", or "our") give effect to the following acquisition of Humana Inc.'s (NYSE:HUM) ("Humana") long-term care insurance business of KMG America Corporation ("KMG") which KMG operates through it's wholly owned subsidiary Kanawha Insurance Company ("KIC") (the "KMG Acquisition"), acquisition of the trenching and cable laying business ("Furrow") from Fugro N.V. ("Fugro") (the "Furrow Acquisition"), the issuance of $105,000,000 aggregate principal amount of 11.000% Senior Secured Notes due 2019, the issuance of $42,000,000 aggregate principal amount of Bridge Loans in connection with the $33,000,000 acquisition of certain assets affiliated with Azteca International Corporation and Northstar Media, LLC, and refinancing of all of our then outstanding Bridge Loans totaling $102,000,000 (collectively, the "Transactions").

The unaudited pro forma condensed combined balance sheet as of December 31, 2017 gives effect to the Transactions as if they had occurred on December 31, 2017. The unaudited pro forma condensed combined balance sheet is derived from the audited historical financial statements of HC2 and KMG as of December 31, 2017.

The unaudited pro forma condensed combined statements of operations for the year ended December 31, 2017 give effect to the Transactions as if they had occurred on January 1, 2017. The unaudited pro forma condensed combined statements of operations are derived from the audited historical financial statements of HC2 and KMG and unaudited historic financial statements of Furrow as of and for the eleven months period ended November 30, 2017.

The unaudited pro forma condensed combined financial statements and the notes to the unaudited pro forma condensed combined financial statements are based on, and should be read in conjunction with:

- Our historical audited consolidated financial statements, related notes, and the sections entitled Management's Discussion and Analysis of Financial Condition and Results of Operations contained in our Annual Report on Form 10-K for the fiscal year ended December 31, 2017, filed on March 14, 2018.

- Furrow's historical unaudited condensed combined and carve-out interim financial statements and related notes as of and for the nine month periods ended September 30, 2017 (incorporated by reference as Exhibit 99.2 to HC2's Current Report on Form 8-K, filed on December 19, 2017) (File No. 001-35210) and stub period from October 1, 2017 through November 30, 2017.

- KMG's historical audited consolidated financial statements and related notes as of and for the year ended December 31, 2017 (incorporated by reference as Exhibit 99.1 to HC2's Current Report on Form 8-K, filed on May 3, 2018).

The unaudited pro forma condensed combined financial statements have been prepared by HC2's management using the acquisition method of accounting for business combinations under accounting principles generally accepted in the United States of America and are not necessarily indicative of the combined financial position or results of operations that would have been realized had the acquisitions been completed as of the dates indicated, nor are they meant to be indicative of the Company's anticipated combined financial position or future results of operations that the Company will experience after the acquisitions.

The historical consolidated financial statements have been adjusted to reflect factually supportable items that are directly attributable to the acquisitions and, with respect to the unaudited pro forma condensed combined statements of operations, are expected to have a continuing impact on the results of operations of the combined company.

In connection with the post-acquisition integration of the operations of KMG, HC2 anticipates that nonrecurring integration charges will be incurred. HC2 is not able to determine the timing, nature, and amount of these charges as of the date of this filing. However, these charges will impact the results of operations of the combined company in the period in which they are incurred.

HC2 HOLDINGS, INC. AND SUBSIDIARIES
UNAUDITED PRO FORMA COMBINED BALANCE SHEET
As of December 31, 2017 (in thousands)

	HC2	KMG	Pro Forma Adjustments KMG	Ref.	Financing Adjustments	Ref.	Total Pro Forma
Assets		(4a)					
Investments:							
Fixed maturity securities, available-for-sale at fair value	$ 1,340,626	$ 2,337,241	$ —		$ —		$ 3,677,867
Equity securities, available-for-sale at fair value	47,500	—	—		—		47,500
Mortgage loans	52,109	1,216	—		—		53,325
Policy loans	17,944	10,644	(7,317)	(6a)	—		21,271
Other invested assets	85,419	—	—		—		85,419
Total investments	1,543,598	2,349,101	(7,317)		—		3,885,382
Cash and cash equivalents	97,885	210,797	(41,845)	(6b)	11,951	(6m)	278,788
Accounts receivable, net	322,446	2,897	—		—		325,343
Recoverable from reinsurers	526,337	559,059	320,600	(6c)	—		1,405,996
Deferred tax asset	1,661	170,072	(170,072)	(6d)	—		1,661
Property, plant and equipment, net	374,660	—	—		—		374,660
Goodwill	131,741	—	—		—		131,741
Intangibles, net	117,105	84,579	(84,579)	(6e)	—		117,105
Other assets	102,258	35,394	—		—		137,652
Total assets	$ 3,217,691	$ 3,411,899	$ 16,787		$ 11,951		$ 6,658,328
Liabilities, temporary equity and stockholders' equity							
Life, accident and health reserves	$ 1,693,961	$ 2,820,125	$ 150,662	(6f)	$ —		$ 4,664,748
Annuity reserves	243,156	—	—		—		243,156
Value of business acquired	42,969	—	300,810	(6g)	—		343,779
Accounts payable and other current liabilities	347,492	22,252	(6,858)	(6h)	(28,748)	(6n)	334,138
Deferred tax liability	10,740	—	52,470	(6i)	—		63,210
Debt obligations	593,172	—	—		44,047	(6o)	637,219
Other liabilities	70,174	921	—		—		71,095
Total liabilities	3,001,664	2,843,298	497,084		15,299		6,357,345
Commitments and contingencies							
Temporary equity							
Preferred stock	26,296	—	—		—		26,296
Redeemable noncontrolling interest	1,609	—	—		—		1,609
Total temporary equity	27,905	—	—		—		27,905
Stockholders' equity							
Common stock	44	—	—		—		44
Additional paid-in capital	254,685	1,667,487	(1,667,487)	(6j)	—		254,685
Treasury stock, at cost	(2,057)	—	—		—		(2,057)
Accumulated deficit	(221,189)	(1,125,700)	1,214,004	(6k)	(3,348)	(6p)	(136,233)
Accumulated other comprehensive income	41,688	26,814	(26,814)	(6l)	—		41,688
Total HC2 Holdings, Inc. stockholders' equity	73,171	568,601	(480,297)		(3,348)		158,127
Noncontrolling interest	114,951	—	—		—		114,951
Total stockholders' equity	188,122	568,601	(480,297)		(3,348)		273,078
Total liabilities, temporary equity and stockholders' equity	$ 3,217,691	$ 3,411,899	$ 16,787		$ 11,951		$ 6,658,328

See notes to unaudited pro forma condensed combined financial statements

HC2 HOLDINGS, INC. AND SUBSIDIARIES
UNAUDITED PRO FORMA COMBINED STATEMENT OF OPERATIONS
For the Year Ended December 31, 2017
(in thousands, except per share data amounts)

				Pro Forma Adjustments						
	HC2	KMG	Furrow	KMG	Ref.	Furrow	Ref.	Financing Adjustments	Ref.	Total Pro Forma
		(4a)	(4c)							
Revenue	$ 1,482,546	$ —	$ 40,894	$ —		$ —		$ —		$ 1,523,440
Life, accident and health earned premiums, net	80,524	156,058	—	(120,259)	(7a)	—		—		116,323
Net investment income	66,070	97,580	—	(9,198)	(7b)	—		—		154,452
Net realized and unrealized gains on investments	4,983	7,685	—	—		—		—		12,668
Net revenue	1,634,123	261,323	40,894	(129,457)		—		—		1,806,883
Operating expenses			—			—				—
Cost of revenue	1,313,069	—	42,140	—		(8,116)	(7h)	—		1,347,093
Policy benefits, changes in reserves, and commissions	108,695	188,825	—	(70,221)	(7c)	—		—		227,299
Selling, general and administrative	182,880	77,363	4,160	(68,888)	(7d)	(1,767)	(7i)	—		193,748
Depreciation and amortization	31,315	27,248	6,482	(47,939)	(7e)	(1,428)	(7j)	—		15,678
Other operating (income) expenses	(704)	—	(6)	—		—		—		(710)
Total operating expenses	1,635,255	293,436	52,776	(187,048)		(11,311)		—		1,783,108
Income (loss) from operations	(1,132)	(32,113)	(11,882)	57,591		11,311		—		23,775
Interest expense	(55,098)	—	—	—		(636)	(7k)	(10,549)	(7l)	(66,283)
Gain on contingent consideration	11,411	—	—	—		—		—		11,411
Gain on bargain purchase	—	—	—	88,407	(7f)	—		—		88,407
Income from equity investees	17,840	—	—	—		—		—		17,840
Other income (expenses)	(12,772)	9	(31)	—		—		—		(12,794)
Income (loss) before income taxes	(39,751)	(32,104)	(11,913)	145,998		10,675		(10,549)		62,356
Income tax (expense) benefit	(10,740)	(85,484)	(189)	(12,094)	(7g)	—		—	(7m)	(108,507)
Net loss	(50,491)	(117,588)	(12,102)	133,904		10,675		(10,549)		(46,151)
Less: Net loss attributable to noncontrolling interest and redeemable noncontrolling interest	3,580	—	—	—		—		—		3,580
Net loss attributable to HC2 Holdings, Inc.	(46,911)	(117,588)	(12,102)	133,904		10,675		(10,549)		(42,571)
Less: Preferred stock and deemed dividends from conversions	2,767	—	—	—		—		—		2,767
Net loss attributable to common stock and participating preferred stockholders	$ (49,678)	$ (117,588)	$ (12,102)	$ 133,904		$ 10,675		$ (10,549)		$ (45,338)
Basic and diluted loss per common share	$ (1.16)									$ (1.06)
Basic and diluted weighted average common shares outstanding	42,824									42,824

See notes to unaudited pro forma condensed combined financial statements

HC2 HOLDINGS, INC.
NOTES TO THE UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS
(in thousands, except as noted otherwise)

1. Description of the Transaction

Acquisition of KMG America Corporation

On November 6, 2017, Continental General Insurance Company ("CGI"), an indirect subsidiary of the Company, entered into a Stock Purchase Agreement (the "SPA") with Humana (the "KMG Acquisition"). Pursuant to the SPA, CGI agreed to acquire Humana's long-term care insurance business, KMG. KMG's wholly owned subsidiary KIC is a life and accident and health insurance company domiciled in the state of South Carolina and is authorized to sell life, accident and health products therein and in 47 states including the District of Columbia. KIC's primary business is life and health insurance risk assumption, third-party administration and medical management services. Included in the risk assumptions are the KIC's traditional product lines of supplemental health, short-term disability, individual life, and annuity, as well as products specifically directed at the senior market including Medicare supplement, final expenses life insurance and a closed block of long-term care products.

As consideration for the KMG Acquisition, (a) CGI agreed to pay $10.0 thousand to Humana for all outstanding KMG shares, and (b) Humana agreed to make a capital contribution of $203.0 million to KIC prior to the closing of the KMG Acquisition.

The obligation of each party to consummate the KMG Acquisition is subject to customary closing conditions, including, among others, receipt of regulatory approvals by the South Carolina and Texas insurance departments, redomestication of KIC to Texas, merger of KIC into CGI, the delivery of a coinsurance and administrative services agreement with respect to the coinsured business between Humana and KIC, customary conditions relating to the accuracy of the other party's representations and warranties (subject to certain materiality exceptions), and each party having performed in all material respects its obligations under the SPA.

Previous acquisition of Furrow

On November 30, 2017, Global Marine Systems Limited ("GMSL"), an indirect subsidiary of the Company, consummated the transaction contemplated by a Business Purchase Agreement (the "BPA") and a Warranty and Indemnity Agreement, in each case by and among Fugro N.V., a public limited liability company incorporated in the Netherlands ("Fugro"), GMSL and Global Marine Holdings LLC ("GMHL"), an indirect subsidiary of the Company and an indirect parent company of GMSL. Pursuant to the BPA, GMSL acquired the trenching and cable laying business ("Furrow") of Fugro (the "Furrow Acquisition"), consisting of, among other things, 19 employees, one vessel, two trenching systems and two work class remotely operated vehicles ("ROV") and working capital.

As consideration for the Furrow Acquisition, GMSL paid $7.5 million (the "Cash Consideration") to Fugro for a Q1400 Trenching System (the "Trencher"), and (b) GMHL issued to a subsidiary of Fugro (the "Fugro Member") membership units representing a 23.6% equity interest in GMHL (excluding management incentive units), valued at $79.7 million based on the preliminary purchase price allocation. The limited liability company agreement of GMHL was amended and restated upon consummation of the Furrow Acquisition to reflect such issuance and to provide the Fugro Member with certain rights, including the right to designate two of the up to seven members of GMHL's board of directors, the right to approve certain actions outside the ordinary course of business, certain "tag-along" rights to participate in sales of membership units by other members and, after five years and subject to the Fugro Member first offering its membership units to the other members at a price based upon independent valuations, the right to cause GMHL to be put up for sale in a process led by an investment banking firm.

In order to finance the Cash Consideration, GMSL incurred a loan of $7.5 million from a subsidiary of Fugro pursuant to a Vendor Loan Agreement, dated as of November 30, 2017, by and between Fugro Financial Resources B.V. and GMSL (the "Vendor Loan Agreement"). The loan bears interest, payable quarterly, at 4% per annum through December 31, 2017, and at 10% per annum thereafter, and matures 363 days following the closing of the Furrow Acquisition. The Trencher serves as collateral security for the repayment of the loan pursuant to the terms of a lien agreement.

2. Basis of Presentation

The KMG Acquisition and the Furrow Acquisition are accounted for under the acquisition method of accounting in accordance with Accounting Standards Codification ("ASC") Topic 805, Business Combinations ("ASC 805").

Acquisition of KMG America Corporation

At this preliminary stage, no identifiable finite lived intangible assets were identified for the KMG Acquisition. Reserves were calculated using actuarial assumptions for future morbidity, persistency, premiums and future expenses as of December 31, 2017. In addition, the reserves reflect current and forward interest rates based on the current economic environment. A provision for adverse deviation was included on future interest rates and premiums. Bargain purchase represents the excess of the estimated fair value of the Target's assets and liabilities over the estimated purchase price and will be recognized as income. Upon consummation of the KMG Acquisition, the estimated fair value of the assets and liabilities will be updated.

Previous Furrow Acquisition

The Furrow Acquisition was accounted for under ASC 805. There were no intangible assets identified. The goodwill recorded represents the excess of the purchase price over the estimated fair value of Furrow's assets and will not be amortized but will be subject to periodic impairment testing.

Furrow is the aggregate of various parts of legal entities which have not previously been represented by one separate legal reporting entity. Consequently, Fugro management has never prepared a single set of financial statements which represented the Furrow business. Accordingly, to meet the filing requirements of HC2, audited combined and carve-out financial statements as of and for the years ended December 31, 2016 and 2015, and unaudited condensed combined and carve-out financial statements as of September 30, 2017 and for the nine month periods ended September 30, 2017 and 2016 have been prepared in accordance with IFRS as issued by the IASB. The combined and carve-out financial statements reflect income and expenses, assets and liabilities and cash flows of those entities that have historically formed the Furrow business within Fugro and those which can be allocated to the Furrow business.

The Furrow business consisted of one wholly identifiable legal entity and two legal entities that had shared activities and operations with Furrow and other Fugro businesses; these are considered commingled legal entities. As such, the combined and carve-out financial statements of Furrow include the combined financial information of the wholly identifiable legal entity and the respective specifically identifiable assets, liabilities, revenues, and expenses of Furrow within commingled legal entities.

The historical combined and carve-out financial statements reflect the actual historical activities of Furrow and therefore also include certain assets that were not part of the acquisition. Consequently, the combined and carve-out financial statements may not be indicative of Furrow's future performance. Furthermore, the combined and carve-out financial statements do not necessarily reflect what its combined results of operations, financial position and cash flows would have been had Furrow operated as an independent legal group and had it presented stand-alone financial statements during the periods presented.

The unaudited combined and carve-out financial statements of Furrow as of and for the nine months ended September 30, 2017 were issued on December 19, 2017. As the Furrow Acquisition closed on November 30, 2017, the results of the two months ended November 30, 2017 are included in the pro forma statements of operations within this current filing.

3. Accounting Policies

Acquisition of KMG America Corporation

As part of preparing the unaudited pro forma condensed combined financial statements, the Company conducted a review of the accounting policies of KMG to determine if differences in accounting policies require restatement or reclassification of results of operations or reclassification of assets or liabilities to conform to HC2's accounting policies and classifications. The Company did not become aware of any material differences between the accounting policies of HC2 and KMG during the preparation of these unaudited pro forma condensed combined financial statements. Accordingly, these unaudited pro forma condensed combined financial statements do not assume any material differences in accounting policies between HC2 and KMG. The results of this review are included in Note 4. Upon consummation of the the KMG Acquisition, a more comprehensive review of the accounting policies of KMG will be performed which may identify other differences among the accounting policies of HC2 and KMG that, when conformed, could have a material impact on the unaudited pro forma condensed combined financial statements.

Previous acquisition of Furrow

As part of preparing the unaudited pro forma condensed combined financial statements, the Company conducted a review of the accounting policies of Furrow to determine if differences in accounting policies require restatement or reclassification of results of operations or reclassification of assets or liabilities to conform to HC2's accounting policies and classifications.

Furrow's audited combined and carve-out financial statements as of and for the years ended December 31, 2016, unaudited condensed combined and carve-out financial statements as of and for the nine month periods ended September 30, 2017, and unaudited results for the two months ended 30 November 2017 were presented under IFRS. See Note 4 for details of the historical IFRS to US GAAP adjustments.

Other than to conform to HC2's financial presentation, the Company did not become aware of any further material differences between the accounting policies of HC2 and Furrow during the preparation of these unaudited pro forma condensed combined financial statements. The adjustments are detailed in Note 4.

4. Conforming adjustments

Acquisition of KMG America Corporation

(4a) Both HC2 and KMG's consolidated balance sheets are reported on an unclassified basis, and are generally based on the SEC’s Regulation §S-X 210-7.03. Financial information of KMG was reclassified to conform to the presentation of HC2’s condensed consolidated financial statements as set forth below. Unless otherwise indicated, defined line items included in the notes have the meanings given to them in the historical financial statements of the KMG.

For the year ended December 31, 2017	**Historical**	**Presentation Adjustment**	**Historical, as adjusted**	**Ref.**
Net premiums	$ 156,058	$ (156,058)	$ —	1
Life, accident and health earned premiums, net	$ —	$ 156,058	$ 156,058	1
Net investment and interest income	$ 105,264	$ (105,264)	$ —	1
Net investment income	$ —	$ 97,580	$ 97,580	1
Net realized and unrealized gains on investments	$ —	$ 7,685	$ 7,685	1
Net benefits expense	$ 190,819	$ (190,819)	$ —	1
Commission allowance on reinsurance ceded	$ (1,994)	$ 1,994	$ —	1
Policy benefits, changes in reserves, and commissions	$ —	$ 188,825	$ 188,825	1
Other revenue	$ 9	$ (9)	$ —	1
Other income (expenses)	$ —	$ 9	$ 9	1

As of December 31, 2017	**Historical**	**Presentation Adjustment**	**Historical, as adjusted**	**Ref.**
Debt securities, available for sale	$ 2,289,882	$ (2,289,882)	$ —	1
Restricted assets	$ 52,877	$ (52,877)	$ —	1
Fixed maturity securities, available-for-sale at fair value	$ —	$ 2,337,241	$ 2,337,241	1
Cash and cash equivalents	$ 205,279	$ 5,518	$ 210,797	1
Deferred policy acquisition costs	$ 73,646	$ (73,646)	$ —	1
Intangibles, net	$ 10,933	$ 73,646	$ 84,579	1
Current income tax receivable	$ 6,332	$ (6,332)	$ —	1
Other assets	$ 29,062	$ 6,332	$ 35,394	1
Benefits payable	$ 54,376	$ (54,376)	$ —	1
Future policy benefits payable	$ 2,761,703	$ (2,761,703)	$ —	1
Advance premiums	$ 4,046	$ (4,046)	$ —	1
Life, accident and health reserves	$ —	$ 2,820,125	$ 2,820,125	1
Book overdraft	$ 5,928	$ (5,928)	$ —	1
Due to Humana Inc.	$ 5,120	$ (5,120)	$ —	1
Accounts payable and other current liabilities	$ 11,204	$ 11,048	$ 22,252	1

1. Adjustment to reclassify historical KMG financial statement presentation to HC2 financial statement presentation.

Previous acquisition of Furrow

(4b) The financial information of Furrow was prepared in accordance with IFRS and presented in British pounds sterling. The historical financial information was translated from British pounds sterling to US dollars using the following historical exchange rates:

	Year ended December 31, 2017
Average exchange rate ($ / £)	$1.29
Period end exchange rate ($ / £)	NA[1]

[1] As of December 31, 2017, the Balance Sheet of Furrow were integrated into the Marine Services Segment.

(4c) The following adjustments conform Furrow's results to the presentation of HC2’s consolidated financial statements. Unless otherwise indicated, defined line items included in the notes have the meanings given to them in the historical financial statements of Furrow. References to "Marine Services" are to the Marine Services segment of HC2 as reported in HC2's historical financial statements.

For the eleven months ended November 30, 2017	GBP Historical Nine Months Ended September 30, 2017	Two Months Ended November 30, 2017	Presentation Adjustment	Historical, as adjusted	Ref.	US GAAP Adjustments	Ref.	US GAAP	USD US GAAP
									(4b)
Revenue	30,243	1,501	—	31,744		—		31,744	40,894
Third party costs	24,572	1,207	(25,779)	—	1	—		—	—
Cost of revenue	—	—	28,070	28,070	1	4,641	2	32,711	42,140
Personnel expenses	3,113	363	(3,476)	—	1	—		—	—
Selling, general and administrative	—	—	3,229	3,229	1	—		3,229	4,160
Depreciation and amortization	4,858	174	—	5,032		—		5,032	6,482
Other (income)	(9)	—	9	—	1	—		—	—
Other expenses	1,822	226	(2,048)	—	1	—		—	—
Other operating (income) expenses	—	—	(5)	(5)	1	—		(5)	(6)
Net finance income / (expenses)	165	(6)	(159)	—	1	—		—	—
Other (expenses), net	—	—	159	159	1	(183)	3	(24)	(31)
Income tax (expense) benefit	(146)	1	—	(145)		—		(145)	(189)

1 Adjustment to reclassify historical Furrow financial statement presentation to HC2 financial statement presentation.

2 This adjustment reflects conversion from IFRS to US GAAP for onerous contract provision ("OCP"), for the Saltire cable-ship, a leased cable-ship within the Furrow business. This cable-ship is not being acquired as part of the Furrow Acquisition. ASC paragraph 420-10-10-1 states that a liability for a cost associated with an exit or disposal activity is recognized and measured at fair value only when the liability has been incurred. Therefore, a liability for costs to terminate a contract before the end of its term shall be recognized when the entity terminates the contract in accordance with the contract terms. A liability for costs that will continue to be incurred under a contract for its remaining term without economic benefit to the entity shall be recognized at the cease-use date. Therefore, a commitment to a plan and exit / cease of activities is not sufficient to recognize a liability. Also, future operating losses to be incurred in connection with an exit or disposal activity should be recognized when incurred.

Using this criteria of US GAAP, the OCP does not meet the recognition criteria under US GAAP, until the moment that Furrow is committed to the termination of the lease contract. The cease-use criteria is also not met earlier as the Saltire cable-ship was used for projects until the summer of 2017. This commitment has been communicated in 2017. Therefore, the recognized onerous contract provision should be recognized 2017. In the period ended November 30, 2017 the OCP was not adjusted for under IFRS and should have been under US GAAP, therefore this adjustment reflects the costs incurred under US GAAP.

3 This adjustment reflects the reversal of Foreign Currency transaction expense as a result of the conversion of IFRS to US GAAP for onerous contract provision.

5. Purchase Price Allocation

Under ASC 805, assets acquired and liabilities assumed are recorded at fair value based on the provisions of ASC Topic 820, Fair Value Measurements and Disclosures, (“ASC 820”). ASC 820 defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date.

Acquisition of KMG America Corporation

Fair Value of Consideration

Fair value of consideration to be transferred for the KMG Acquisition will be $10 payable in cash.

Preliminary Purchase Price Allocation

For the purposes of the unaudited pro forma condensed combined financial statements, HC2 made preliminary estimates of the fair value of the assets to be acquired and liabilities to be assumed in the KMG Acquisition. These estimates have been recognized in preparing the unaudited pro forma condensed combined financial statements. The final determination of the fair values of assets to be acquired and liabilities to be assumed will be based on the net assets of KMG that exist as of the date of completion of the transaction. Preliminary amounts could change significantly from those allocations used in the unaudited pro forma condensed combined financial statements presented and could result in a material change.

Allocation of fair value of consideration among identified assets to be acquired, liabilities to be assumed, and residual bargain purchase gain to be recognized for the acquisition of KMG is as follows:

Purchase price allocation	
Fixed maturity securities, available-for-sale at fair value	$ 2,337,241
Mortgage loans	1,216
Policy loans	3,327
Cash and cash equivalents	168,962
Accounts receivable, net	2,897
Recoverable from reinsurers	879,659
Other assets	35,394
Total assets to be acquired	3,428,696
Life, accident and health reserves	2,970,787
Value of business acquired	300,810
Accounts payable and other current liabilities	15,291
Deferred tax liability	52,470
Other liabilities	921
Total liabilities to be assumed	3,340,279
Bargain purchase gain	(88,407)
Total net assets acquired	$ 10

HC2 estimated fair value of reserves on a fair value basis, using actuarial assumptions consistent with those used for the buyer's valuation of the acquired business, and discount rates reflecting capital market conditions. The reserve accounts for the present value of all future cash flows, net of reinsurance, of the acquired block of insurance, including premium, benefit payments, and expenses. HC2 estimated fair value of recoverable from reinsurers using the same assumptions as those for reserves of the net retained business, but applied to business ceded through various, existing reinsurance agreements.

Value of Business Acquired ("VOBA") is a liability that reflects the estimated fair value of in-force contracts in a life insurance company acquisition less the amount recorded as insurance contract liabilities. It represents the portion of the purchase price that is allocated to the value of the rights to receive future cash flows from the business in force at the acquisition date. A VOBA liability (negative asset) occurs when the estimated fair value of in-force contracts in a life insurance company acquisition is less than the amount recorded as insurance contract liabilities. HC2 calculated VOBA by adjusting the purchase price, which was derived on a statutory accounting basis, for differences between statutory and US GAAP accounting requirements. Amortization is based on assumptions consistent with those used in the development of the underlying contract adjusted for emerging experience and expected trends.

The expected amortization related to the preliminary fair value of VOBA and benefit of fair value adjustment to acquire life accident and health reserves for the five years following the acquisition is reflected in as follows:

			Year following the acquisition				
	December 31, 2017	**Estimated remaining useful life**	**Year 1**	**Year 2**	**Year 3**	**Year 4**	**Year 5**
VOBA	$ 300,810	40 years	$ (20,691)	$ (22,053)	$ (23,010)	$ (22,755)	$ (21,336)
Benefit of fair value adjustment to acquire life accident and health reserves	$ 150,662	40 years	(10,363)	(11,045)	(11,525)	(11,397)	(10,686)
Total expected amortization, after-tax			$ (24,533)	$ (26,147)	$ (27,283)	$ (26,980)	$ (25,297)

Taxes

As a result of the application of the unified loss rules to the sale of KMG by Humana, KIC's pre-closing unamortized deductions relating to changes in basis for computing reserves and the unamortized deferred policy acquisition costs, in each case as determined for US federal income tax purposes, were eliminated, and the tax basis of the assets of KIC as determined for US federal income tax purposes was stepped down. Such step-down is reflected in the net deferred tax liability of $52.5 million with respect to differences between the book fair value and tax bases of the acquired assets. Included in the estimated deferred tax liability is a valuation allowance of $23.0 million due to uncertainty with respect to the future earnings and the realization of KIC's deferred tax assets.

On December 22, 2017, the President signed into law H.R. 1/Public Law 115-97, commonly known as the Tax Cuts and Jobs Act (the "Act"). The proforma includes the impacts of the reduction in the corporate income tax rate from 35% to 21%, as well as changes to the net operating loss rules for life insurance companies. Other provisions of the Act, including modifications to the computation of life insurance tax reserves, are still being assessed by management. The law existing prior to the enactment of the Act is being applied to those items in the proforma. The Tax Cuts and Jobs Acts was not stipulated in the negotiations for the KMG Acquisition and resulted in a material decline in VOBA balance, corresponding deferred tax position and, ultimately, recognition of a bargain purchase gain.

Previous acquisition of Furrow

Fair Value of Consideration

Fair value of consideration transfered for the Furrow Acquisition is as follows:

Notes	$	7,500
Equity (43,882,283 Class A-2 Units of GMHL)		79,735
Total Preliminary purchase price	$	87,235

The fair value of the Class A-2 units was estimated utilizing a contingent claims analysis ("CCA") based on the amended LLC agreement for GMHL. In order to value the combined entity, the following was considered as of the transaction date: (a) fair value of stand-alone GMHL; (b) fair value of the Project Furrow's Trenching Business ("Trenching Business"); and (c) fair value of the synergies from the transaction.

(a) A combination of the income approach and market approach was used to estimate the fair value of the stand-alone GMHL. A discounted cash flow analysis was used to estimate the enterprise value of Global Marine Holdings Limited and Huawei Marine Network based on projections prepared by GMHL's management. The weighted average cost of capital, used to discount the projected cash flows, was estimated utilizing public companies considered to be comparable to Global Marine Holdings Limited and Huawei Marine Network.

(b) The income approach was used to estimate the fair value of the Trenching Business. A discounted cash flow analysis was utilized to estimate the present value of future cash flows for the Trenching Business based on the expected life of the acquired assets, discounted at a rate of return that considered the relative risk of achieving those cash flows and the time value of money.

(c) The income approach was used to estimate the fair value of the synergies from the Furrow Acquisition. The synergies primarily relate to the stand-alone GMHL no longer needing to purchase the flagship vessel and trenchers, which were included in the stand-alone valuation of GMHL.

A CCA was utilized to estimate the fair value per share of the Class A-2 units. Values were ascribed to the various equity securities of GMHL capital structure based on the Black-Scholes Option Pricing Model, with each participating breakpoint considered as one of a series of call options on the proceeds expected from a liquidation event.

Purchase Price Allocation

Allocation of fair value of consideration among acquired assets and residual goodwill is as follows:

Assets		
Cash and cash equivalents	$	2,212
Property, plant and equipment		73,320
Goodwill		11,783
Other assets		596
Total assets acquired		87,911
Accounts payable and other current liabilities		676
Total liabilities assumed		676
Total net assets acquired	$	87,235

The fair value was estimated as follows:

(a) A combination of the income approach and market approach was used to estimate the Fugro Symphony vessel, considering, among other factors (i) estimates of the current market value of the vessel from a number of ship-brokers active in the offshore support vessel sector; (ii) a selection of comparable vessels that had recently been sold, or were being actively marketed for sale, along with the prices achieved / asking prices and; (iii) the current and future state of the market in which the vessel is expected to operate. A discounted cash flow analysis was completed to provide an estimate of the present value of estimated future cash flows for the expected life of the vessel, discounted at a rate of return that considered the relative risk of achieving those cash flows and the time value of money.

(b) A cost approach was used to estimate the fair value of the trenchers, considering, among other factors, the current quote for the construction of replacement assets and for estimated useful working life from the manufacturer of the trenchers. Additionally, a depreciated replacement cost of the assets was calculated.

(c) A combination of the cost approach and market approach was used to estimate the fair value of the ROVs, considering, among other factors, (i) estimates of replacement cost, estimated normal useful lives, and residual values from a number of subsea equipment manufacturers and brokers and; (ii) a selection of comparable new build and secondhand assets currently being marketed for sale.

The expected depreciation related to the fair value of the acquired assets for the five years following the acquisition is as follows:

	December 31, 2017	Estimated remaining useful life	Year following the acquisition				
			Year 1	Year 2	Year 3	Year 4	Year 5
Property, plant, and equipment							
Cable-ships and submersibles	$ 71,018	Various [1]	$ 4,499	$ 3,851	$ 3,851	$ 3,851	$ 3,851
Equipment	2,302	Various [2]	663	663	663	63	63
Total expected depreciation [3]	$ 73,320		$ 5,162	$ 4,514	$ 4,514	$ 3,914	$ 3,914

[1] Cable-ship and submersibles range from 28 years for the Fugro Symphony vessel to 10 years for Trenchers and 1 year for Trenching modules.
[2] Range from 8 years for accessories to 3 years for ROVs.
[3] There is no income tax effect expected to be recognized on the depreciation amounts as the operating activities are expected to fall within the UK tonnage tax regime. The majority of the GMSL business operations fall within the UK tonnage tax regime and is therefore not subject to income taxes. The Furrow business is also within the UK tonnage tax regime, and accordingly, no current or deferred income tax expense or benefit is expected to be recognized.

6. Unaudited Pro Forma Condensed Combined Balance Sheet Adjustments

The unaudited pro forma condensed combined financial statements are not necessarily indicative of what the financial position and results from operations actually would have been had the Acquisition been completed at the date indicated and includes adjustments which are preliminary and may be revised. Such revisions may result in material changes. The financial position shown herein is not necessarily indicative of what the past financial position of the combined companies would have been, nor necessarily indicative of the financial position of the combined Company in the future. The unaudited pro forma condensed combined financial statements do not give consideration to the impact of expense efficiencies, synergies, integration costs, asset dispositions, or other actions that may result from the Acquisition.

Acquisition of KMG America Corporation

Adjustments included in the "Pro Forma Adjustments" column in the accompanying unaudited pro forma condensed combined balance sheet as of December 31, 2017 are as follows:

		Increase (decrease)
Assets		
(6a)	*Adjustments to Policy loans*	
	This adjustment reflects the exclusion of policy loans included within the historical KMG financial statements that are not included in the Acquisition. This is driven by the coinsurance agreement which will be in place prior to the closing in which approximately $245 million in reserves will be ceded to Humana.	$ (7,317)
(6b)	*Adjustments to Cash and cash equivalents*	
	This adjustment reflects a capital contribution to KIC prior to the closing of the KMG Acquisition.	203,000
	This adjustment reflects the exclusion of investments included within the historical KMG financial statements that are not included in the Acquisition. This is driven by the coinsurance agreement which will be in place prior to the closing in which approximately $245 million in reserves will be ceded to Humana.	(239,715)
	This adjustment reflects a settlement of historical intercompany payable between KIC and Humana.	(5,120)
	This adjustment reflects the purchase price to be paid by CGI at closing.	(10)
		$ (41,845)
(6c)	*Adjustments to Recoverable from reinsurers*	
	This adjustment reflects the reinsurance recoverable not included within the historical KMG financial statements. This is driven by the coinsurance agreement which will be in place prior to the closing in which approximately $245 million in reserves will be ceded to Humana.	245,189
	This adjustment reflects the Fair Value of recoverable from reinsurers as a result of the KMG Acquisition.	75,411
		$ 320,600
(6d)	*Adjustments to Deferred tax asset*	
	This adjustment eliminates the historical deferred tax asset of KMG.	$ (170,072)
(6e)	*Adjustment to Intangibles, net*	
	This adjustment reflects the exclusion of Intangibles and Deferred Acquisition Costs, net included within the historical KMG financial statements that are not included in the Acquisition.	(84,579)
	Total adjustments to assets	$ 16,787

				Increase (decrease)
Liabilities				
(6f)	*Adjustments to Life, accident and health reserves at fair value*			
	This adjustment reflects Life, accident and health reserves at fair value.		$	150,662
(6g)	*Adjustments to Value of business acquired*			
	This adjustment reflects fair value of business acquired for PGAAP calculations.		$	300,810
(6h)	*Adjustments to Accounts payable and other current liabilities*			
	This adjustment reflects the transaction costs not reflected in the historical financial statements that are directly attributable to the KMG Acquisition and factually supportable but nonrecurring.			103
	This adjustment reflects a settlement of historical intercompany payable between KIC and Humana.			(5,120)
	This adjustment reflects the accounts payable and other current liabilities not included within the historical KMG financial statements. This is driven by the coinsurance agreement which will be in place prior to the closing in which approximately $245 million in reserves will be ceded to Humana.			(1,841)
			$	(6,858)
(6i)	*Adjustments to Deferred tax liability*			
	This adjustment establishes the Deferred tax liability associated with the newly acquired entity.		$	52,470
		Total adjustments to liabilities	$	497,084
Stockholders' equity				
(6j)	*Adjustments to Additional paid-in capital*			
	This adjustment reflects a capital contribution to KIC prior to the closing of the KMG Acquisition.			203,000
	This adjustment reflects the elimination of historical equity of KMG.			(1,870,487)
			$	(1,667,487)
(6k)	*Adjustments to Accumulated Deficit*			
	This adjustment reflects the elimination of historical equity of KMG.			1,125,700
	The adjustment reflects the anticipated bargain purchase gain the Company expects to recognize as a resulting of the Transaction, based on the preliminary purchase price allocation.			88,407
	This adjustment reflects the transaction costs not reflected in the historical financial statements that are directly attributable to the KMG Acquisition and factually supportable but nonrecurring.			(103)
			$	1,214,004
(6l)	*Adjustments to Accumulated other comprehensive income (loss)*			
	This adjustment reflects the elimination of historical fair value adjustments of KMG.			(210,853)
	This adjustment reflects the elimination of the historical shadow reserves of KMG.			184,039
			$	(26,814)
		Total adjustments to stockholders' equity	$	(480,297)
		Total adjustments to liabilities and stockholders' equity	$	16,787

Financing Adjustments

Adjustments included in the "Financing Adjustments" column in the accompanying unaudited pro forma condensed combined balance sheet as of December 31, 2017 are as follows:

		Increase (decrease)		
		Bridge Loan	New Notes	Total
(6m)	*Adjustments to Cash and cash equivalents*			
	Adjustment to reflect gross borrowings	$ 42,000	$ 105,000	$ 147,000
	Adjustment to reflect accrued interest from 12/1/17 to 5/1/2018	—	4,813	4,813
	Adjustment to reflect original issue premium and deferred financing cost	(2,403)	(1,898)	(4,301)
		39,597	107,915	147,512
	Adjustment to reflect repayment of the Bridge Loan	—	(102,000)	(102,000)
	Adjustment to reflect settlement of accrued interest	—	(561)	(561)
	Adjustment to reflect close of Azteca	(33,000)	—	(33,000)
		(33,000)	(102,561)	(135,561)
	Total financing adjustments to cash and cash equivalents	6,597	5,354	11,951
	Total financing adjustments to assets	$ 6,597	$ 5,354	$ 11,951
(6n)	*Adjustments to Accounts payable and other current liabilities:*			
	Adjustment to reflect settlement of accrued interest	$ —	$ (561)	$ (561)
	Adjustment to reflect close of Azteca	(33,000)	—	(33,000)
	Adjustment to reflect accrued interest from 12/1/17 to 5/1/2018	—	4,813	4,813
		(33,000)	4,252	(28,748)
	Total financing adjustments to accounts payable and other current liabilities	(33,000)	4,252	(28,748)
(6o)	*Adjustments to Debt obligations:*			
	Adjustment to reflect gross borrowings	42,000	105,000	147,000
	Adjustment to reflect original issue discount and deferred financing cost	945	(1,898)	(953)
	Adjustment to reflect repayment of the Bridge Loan	—	(102,000)	(102,000)
		42,945	1,102	44,047
	Total financing adjustments to debt obligations	42,945	1,102	44,047
	Total financing adjustments to liabilities	9,945	5,354	15,299
(6p)	*Adjustments to Accumulated deficit:*			
	Adjustment to reflect amortization of deferred financing cost	(3,348)	—	(3,348)
		(3,348)	—	(3,348)
	Total financing adjustments to accumulated deficit	(3,348)	—	(3,348)
	Total financing adjustments to stockholders' equity	(3,348)	—	(3,348)
	Total financing adjustments to liabilities and stockholders' equity	$ 6,597	$ 5,354	$ 11,951

7. Unaudited Pro Forma Condensed Combined Statements of Operations Adjustments

Acquisition of KMG America Corporation

Adjustments included in the "Pro Forma Adjustments" column in the accompanying unaudited pro forma condensed combined statements of operations for the year ended December 31, 2017 are as follows:

			Increase (decrease)
(7a)	This adjustment reflects the Life, accident and health earned premiums, net included within the historical KMG financial statements generated by approximately $245 million in reserves that would be ceded to Humana as part of the coinsurance agreement which will be in place prior to the closing.	$	(120,259)
(7b)	Adjustment to net investment income to amortize the fair value adjustment to KMG's investments.	$	(9,198)
(7c)	*Adjustments to Policy benefits, changes in reserves, and commissions*		
	Adjustment to amortize the difference between the estimated fair value and the historical value of KMG's Life, accident, and health reserves.		(10,363)
	This adjustment reflects the Policy benefits, changes in reserves, and commissions included within the historical KMG financial statements generated by approximately $245 million in reserves that would be ceded to Humana as part of the coinsurance agreement which will be in place prior to the closing.		(59,858)
		$	(70,221)
(7d)	*Adjustment to Selling, general and administrative*		
	This adjustment represents transaction costs that were recognized in the historical financial statements, and should be eliminated as they are nonrecurring charges that are directly attributable to the KMG Acquisition and do not reflect expenses of the combined entity on an ongoing basis.		(2,529)
	This adjustment reflects the Selling, general and administrative included within the historical KMG financial statements generated by approximately $245 million in reserves that would be ceded to Humana as part of the coinsurance agreement which will be in place prior to the closing.		(66,359)
		$	(68,888)
(7e)	*Adjustment to Depreciation and amortization expense*		
	Adjustment to eliminate KMG's historical policy acquisition costs following the write-off of the deferred policy acquisition costs asset.		(27,248)
	This adjustment reflects the amortization of VOBA due to the estimated fair value of in-force contracts being less than the amount recorded as insurance contract liabilities.		(20,691)
		$	(47,939)
(7f)	The adjustment reflects the anticipated bargain purchase gain the Company expects to recognize as a resulting of the Transaction, based on the preliminary purchase price allocation.	$	88,407
(7g)	Adjustment to reflect the income tax impact on the unaudited pro forma adjustments.	$	(12,094)
	Impact of adjustments to Net Income (loss)	$	133,904

Previous acquisition of Furrow

Adjustments included in the "Pro Forma Adjustments" column in the accompanying unaudited pro forma condensed combined statements of operations for the eleven months ended November 30, 2017 are as follows:

			Increase (decrease)
(7h)	This adjustment reflects the exclusion of operations included within the historical Furrow financial statements that are not included in the Furrow Acquisition. Specifically an accrued lease termination expense associated with Saltire, a cable-ship which is included within the historical Furrow financial statements that is not included in the Furrow Acquisition.	$	(8,116)
(7i)	This adjustment represents transaction costs that were recognized in the historical financial statements, and should be eliminated as they are nonrecurring charges that are directly attributable to the Furrow Acquisition and do not reflect expenses of the combined entity on an ongoing basis.	$	(1,767)
(7j)	This adjustment reflects the elimination of historical depreciation expense associated with the Property, plant, and equipment of the Furrow business.	$	(6,482)
	This adjustment reflects the depreciation expense incurred as a result of the adjustment to record the Furrow Property, plant and equipment at fair value as a result of the preliminary Purchase Price Allocation.		5,054
		$	(1,428)
(7k)	This adjustment reflects the net increase to interest expense resulting from interest on the loan GMSL incurred from a subsidiary of Fugro pursuant to the Vendor Loan Agreement. The loan matures within one year, and as such, is reflected in the proforma financial statements as if it were acquired on January, 1, 2017.	$	636
	Impact of adjustments to Net Income (loss)	$	10,675

Financing Adjustments

Adjustments included in the "Financing Adjustments" column in the accompanying unaudited pro forma condensed combined statements of operations for the year ended December 31, 2017 are as follows:

			Increase (decrease)
Interest Expense			
(7l)	Adjustment to reflect interest expense on the notes at 11% per annum		(10,915)
	Adjustment to reflect amortization expense of original issue premium and deferred financing cost.		366
		$	(10,549)
Income Tax			
(7m)	To reflect the income tax impact of the financing adjustments. [1]	$	—
	Total financing adjustments to net loss	$	(10,549)

[1] For the year ended December 31, 2017 the company does not record a benefit due to their valuation allowance position.


Envision. Empower. Execute.
HC2
HC2 HOLDINGS, INC.
Investor Presentation
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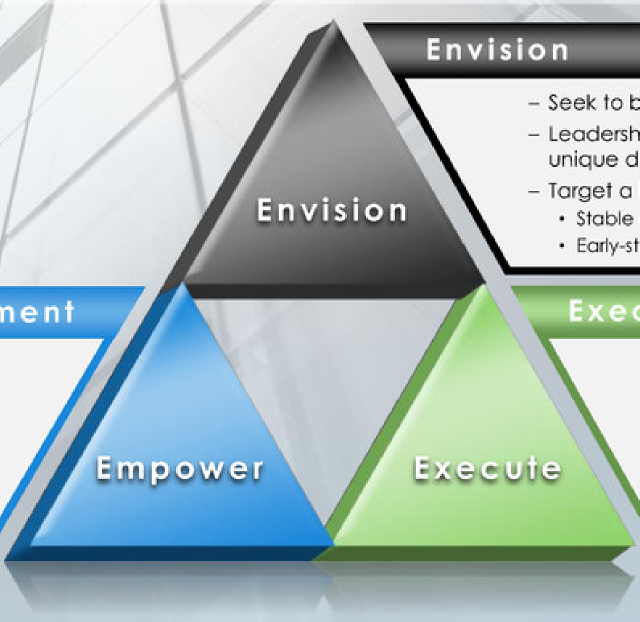
May 3, 2018

How HC2 Builds Value

Clear focus on delivering sustainable value for all stakeholders

- Value operator with long-term outlook
- Acquire controlling equity interests in diverse industries creating value through growth in operating subsidiaries
- Strong capital base allows funding of subsidiary growth
- Speed of execution gives HC2 a competitive advantage over traditional private equity firms



Envision

- Seek to build value over the long-term
- Leadership team's expansive network results in unique deal flow
- Target a barbell investment strategy
  - Stable cash flow generation
  - Early-stage companies with option value

Empower Management

- Partner with experienced management teams
- Establish specific operating objectives and clear growth plans
- Provide financial expertise
- Help execute strategy

Execute

- Focus on speed of execution
- Capitalize on opportunities to create, extract and monetize value
- Realize synergies and optimize resources
- Deliver sustainable value

HC2's Diversified Portfolio

Core Operating Subsidiaries

Construction: DBM GLOBAL (SCHUFF)

- One of the largest steel fabrication and erection companies in the U.S.
- Offers full suite of integrated steel construction and professional services
- 92.5% ownership
- FY17 Revenue: $579.0m
- FY17 Adjusted EBITDA: $51.6m

Marine Services: GMSL

- Leading provider of subsea cable installation, maintenance and protection in telecom, offshore power and oil & gas
- JV's with Huawei Marine Networks & S.B. Submarine Systems (China Telecom)
- 72.7% ownership
- FY17 Revenue: $169.5m
- FY17 Adjusted EBITDA: $44.0m

Energy: ANG

- Premier distributor of natural gas motor fuel throughout the U.S.
- Currently own or operate 44 natural gas fueling stations throughout United States
- 67.7% ownership
- FY17 Revenue: $16.4m
- FY17 Adjusted EBITDA: $2.9m

Telecom: PTGi ICS

- One of the largest International wholesale telecom service companies
- Global sales presence
- Internal and scalable offshore back office operations
- 100% ownership
- FY17 Revenue: $701.9m
- FY17 Adjusted EBITDA: $6.9m

Core Financial Services Subsidiaries

Insurance: CIG

- Platform to invest in long-term care (LTC) portfolio of assets
- Initially acquired American Financial Group's LTC assets
- Pending acquisition of Humana's $2.3b LTC assets
- 100% ownership
- ~$74.7m of statutory surplus
- ~$86.4m total adjusted capital
- ~$2.1b total GAAP assets
- ~$1.5b cash & invested assets

Early Stage and Other Holdings

Life Sciences: PANSEND

- **MediBeacon:** Unique non-invasive real-time monitoring of kidney function
- **R2 Dermatology:** Medical device to brighten skin based on Mass. General Hospital technology
- **BeneVir:** Oncolytic viral immunotherapy for treatment of solid cancer tumors
- **Genovel:** Novel, Patented, "Mini Knee" and "Anatomical Knee" replacements
- **Triple Ring Technologies:** R&D engineering company specializing in medical devices, homeland security, imaging, sensors, optics, fluidics, robotics & mobile healthcare

Other:

- **HC2 Broadcasting Holdings** Capitalizing on Over-The-Air broadcast opportunities
- **704Games (Formerly DMR)** Owns worldwide exclusive licensing rights to NASCAR® simulation style racing titles

All data as of December 31, 2017 unless otherwise noted
Construction formerly Manufacturing; Energy formerly Utilities

First Quarter 2018 Update

BeneVir:

- **BeneVir is a portfolio company of Pansend, our Life Sciences segment**
  - Focused on the development of a patent-protected oncolytic virus, BV-2711, for the treatment of solid cancer tumors
- **Pansend is the owner of all of BeneVir's outstanding preferred stock, through which Pansend holds an approximate 80%, or 76% on a fully diluted basis, controlling interest in BeneVir**
- **On May 1st, BeneVir entered into a definitive agreement to be acquired by Janssen Biotech, Inc. ("Janssen")**
- **Janssen will make an upfront cash payment of $140 million at closing of the transaction, plus additional contingent payments of up to $900 million based on achievement of certain predetermined commercial milestones**
  - HC2 expects to receive an initial payment in excess of $70 million in net proceeds from the sale of BeneVir at close, with an additional $10 million being held in escrow
  - The total amount of all payments could exceed $1 billion to current BeneVir shareholders if all milestones are met
  - HC2 has invested ~$8 million to date
- **The closing of the transaction is subject to customary closing conditions, including clearance under the Hart-Scott-Rodino Antitrust Improvements Act and is expected to close in the second quarter of 2018**

First Quarter 2018 Update

GMSL:

- **We expect GMSL to report backlog at levels consistent with those reported at year end, reflective of normal burn off recognized in the first quarter on its maintenance contracts, in addition to strong backlog from GMSL's Huawei Marine joint venture**
- **As a result of quarterly variability that the Company has highlighted previously, GMSL expects to report slightly negative Adjusted EBITDA for the quarter**
- **Quarterly variability is not unusual**

Adjusted EBITDA (*$USD millions*)					
	Q1	Q2	Q3	Q4	Total
2016	$0.5	$11.8	$14.0	$14.8	**$41.2**
2017	$16.3	$3.6	$8.8	$15.3	**$44.0**

- **Adjusted EBITDA impacted by:**
  - Timing of two major turnkey projects in the Huawei joint venture, which are expected to ramp up across the remainder of 2018
  - Lower offshore power contribution versus strong prior year comparable period
  - Higher unutilized vessel costs due to mobilization for contracted projects
- **We believe the above represent short term timing issues and GMSL's long-term performance outlook is still positive**

Other Core Operating Segments:

- **Based on preliminary data , we currently expect to report Adjusted EBITDA in aggregate for our other Core Segments, which include Construction, Energy and Telecommunications, at levels consistent with the first quarter of the prior year**

Note: Because the reporting period for the first quarter ended March 31, 2018 has recently ended, these preliminary anticipated results reflect assumptions and estimates based only on preliminary information available to us as of the date of this presentation. Actual results for the first quarter of 2018 could differ materially from the above expectations. In addition, GMSL's results could be materially adversely affected by any of the risks set forth under "Risk Factors – Risks Related to GMSL" or items described under "Disclosure Regarding Forward-Looking Statements" in our offering memorandum.


HC2
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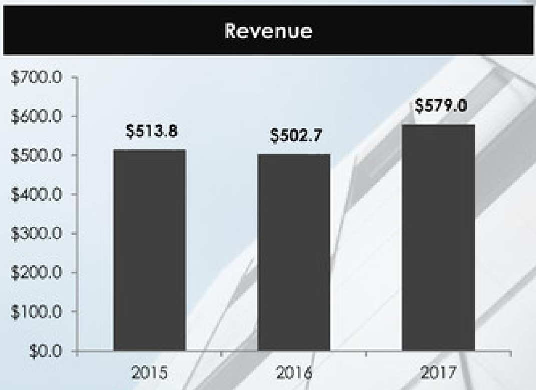
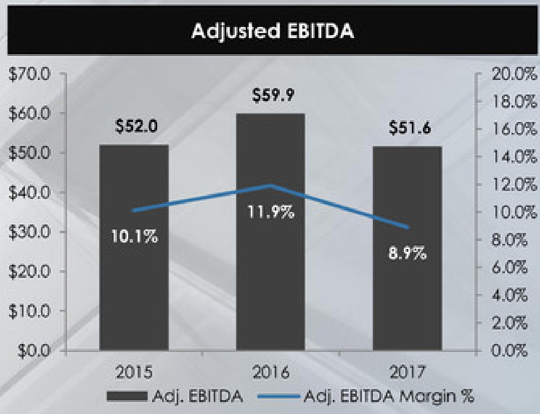
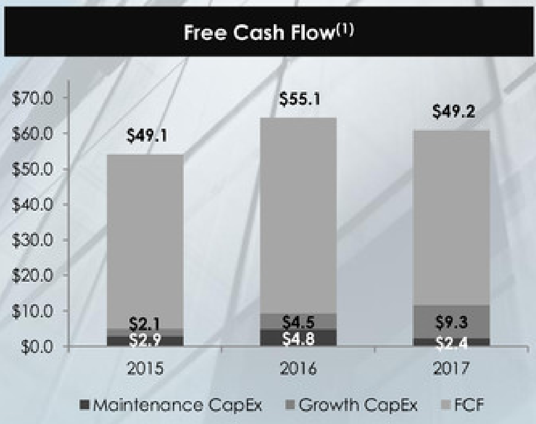
Financial Overview

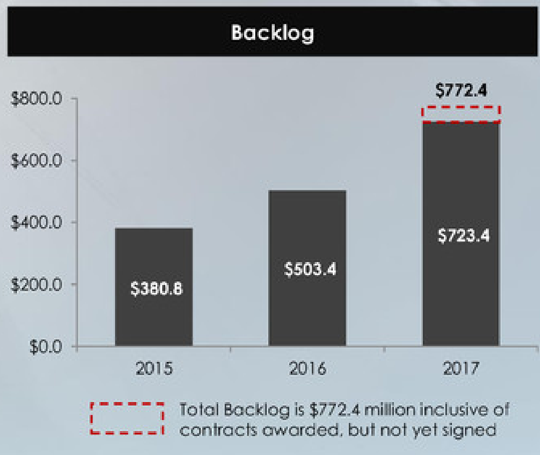
DBM Global Historical Financial Summary

($USD millions)







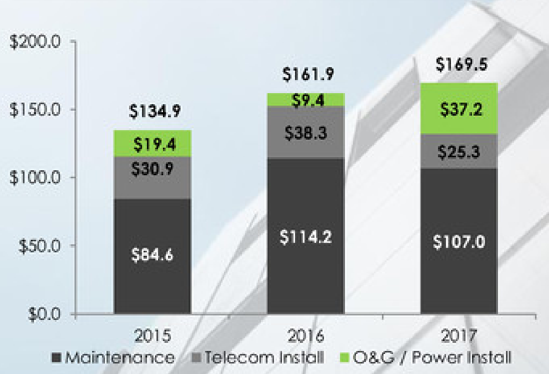


1. Free Cash Flow defined as Adjusted EBITDA less Maintenance Capital Expenditures.

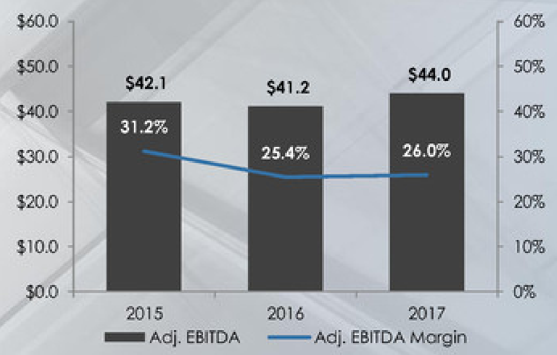
Global Marine Group Historical Financial Summary

($USD millions)

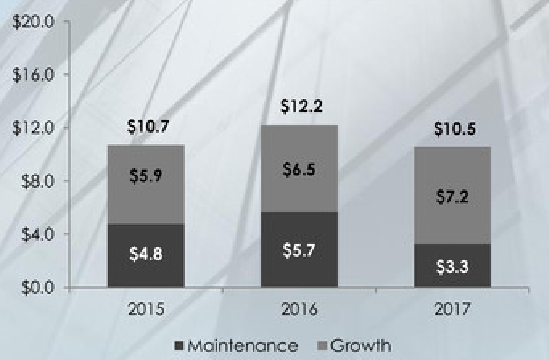
Revenue



Adjusted EBITDA



Capital Expenditures



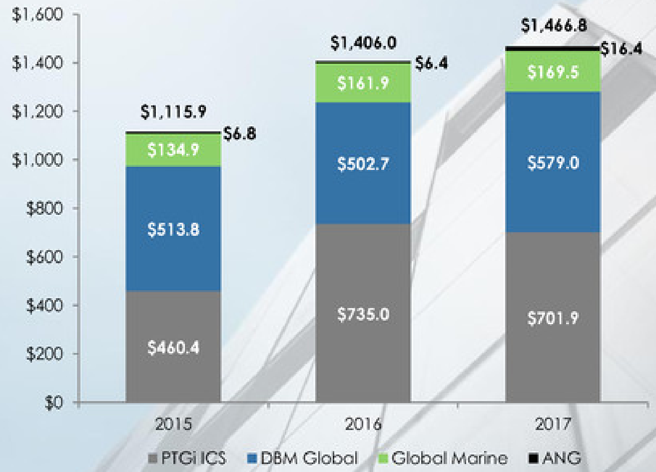
Free Cash Flow[1]

1. Free Cash Flow defined as Adjusted EBITDA less Maintenance Capital Expenditures.

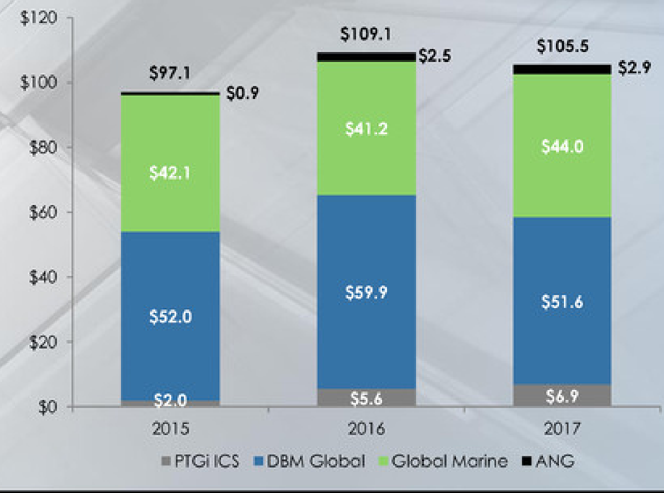
Historical Consolidated Revenue and Adjusted EBITDA

($USD millions)

Core Operating Revenue



Core Operating Adjusted EBITDA[1]



Non-Core Operating Revenue

	2015	2016	2017
CIG	$2.9	$142.5	$151.6
Pansend	-	-	-
Other	2.1	9.7	15.8
Non-Op. Corp.	-	-	-
Total Core + Non-Core	**$1,120.8**	**$1,558.1**	**$1,634.1**

Non-Core Operating Adjusted EBITDA[1]

	2015	2016	2017
Pansend	(7.2)	(12.0)	(22.4)
Other	(18.3)	(11.2)	(3.1)
Non-Op. Corp.	(19.5)	(25.7)	(29.2)
Total Core + Non-Core	**$52.1**	**$60.2**	**$50.8**

1. Adjusted EBITDA does not include results of our Insurance segment.

Free Cash Flow Generation

($USD millions)

	LTM 12/31/17
Core Operating Adj. EBITDA	**$105.5**
Less: Non-Operating Corporate Adj. EBITDA	$29.2
Less: GMSL Maintenance Capex	3.3
Less: DBM Global Maintenance Capex	2.4
Less: ANG Maintenance Capex	2.1
Less: PTGi ICS Maintenance Capex	0.1
Less: HC2 Capex	(0.0)
Free Cash Flow [1]	**$68.4**
Less: DBM Global Growth Capex	$9.3
Less: GMSL Growth Capex	7.2
Less: ANG Growth Capex	6.4
Less: Pansend Growth Capex	0.5
Less: PTGi ICS Growth Capex	-
Free Cash Flow after Growth Capex	**$45.0**

1. Free Cash Flow defined as Adjusted EBITDA less Maintenance Capital Expenditures.


HC2
Envision. Empower. Execute.
Appendix

DBM Global Inc. (Schuff Intl.)

L.A. Rams

Apple

Sacramento Kings

Business Description:

- DBM Global Inc. is focused on delivering world class, sustainable value to its clients through a highly collaborative portfolio of companies which provide better designs, more efficient construction and superior asset management solutions
- The Company offers integrated steel construction services from a single source and professional services which include design-assist, design-build, engineering, BIM participation, 3D steel modeling/detailing, fabrication, advanced field erection, project management and state-of-the-art steel management systems
- Major market segments include commercial, healthcare, convention centers, stadiums, gaming and hospitality, mixed use and retail, industrial, public works, bridges, transportation and international projects

Select Management:

- Rustin Roach – President and CEO
- Michael Hill – CFO and Treasurer
- Scott Sherman – VP, General Counsel
- Shane Metzger - COO

DC United

Select Customers:

TARGET
CATERPILLAR
WILSHIRE GRAND
VOLVO
KAISER PERMANENTE
IKEA
THE COSMOPOLITAN of LAS VEGAS
CITYCENTER LAS VEGAS
DOW
Banner Health
SFO
PHX
intel
Google
facebook
THE PALAZZO Las Vegas
SACRAMENTO KINGS
ARIZONA CARDINALS
GM

DBM Global Inc. (Schuff Intl.)

	Core Activities	Products & Service Offerings	Industries Served	
SCHUFF STEEL	• The largest structural steel fabricator and erector in the U.S. • In-house structural & design engineering expertise	• Structural Steel fabrication • Steel erection services • Structural engineering & design services • Preconstruction engineering services • BIM (Building Information Modeling) • Project Mgmt (proprietary SIMS platform)	• Commercial • Conv. & Event Centers • Energy • Government • Healthcare	• Industrial & Mining • Infrastructure • Leisure • Retail • Transportation
	• Assets of Mountain States Steel became part of Schuff Steel (4Q17) • Mountain States Steel has a modern fabrication facility located on approximately 32 acres in Lindon, Utah.	• Extensive track record delivering structural steel for iconic projects throughout the Western United States: San Francisco-Oakland Bay Bridge, Alameda Corridor Transportation Authority Bridge, Mile High Stadium, Paris Hotel & Casino in Las Vegas, etc.	• Bridge • Infrastructure • Leisure	
SCHUFF STEEL MANAGEMENT COMPANY	• Provides structural steel fabrication & erection services for smaller projects leveraging subcontractors and in-house project managers	• Structural Steel fabrication (subcontracted) • Steel erection services (subcontracted) • Project Mgmt (proprietary SIMS platform)	• Commercial • Government • Healthcare	• Leisure • Retail • Transportation
AITKEN	• Manufactures equipment for use in the petrochemical oil & gas industries, such as: pollution control scrubbers, tunnel liners, pressure vessels, strainers, filters & separators	• Design engineering • Fabrication services	• Petrochemical • Oil & gas infrastructure • Pipelines	
pdc	• A highly experienced global Detailing and 3D BIM Modelling company	• Steel Detailing • 3D BIM Modelling • BIM Management • Integrated Project Delivery (IPD) • 3D Animation and Visualization	• Commercial • Conv. & Event Ctrs • Energy • Government • Healthcare	• Industrial & Mining • Infrastructure • Leisure • Retail • Transportation
BDS VIRCON	• A global Building Information Modelling (BIM), Steel Detailing and Rebar Detailing firm	• Steel Detailing • Rebar Detailing • 3D BIM Modelling • Connection Design • Forensic Modelling & Animation	• Commercial • Conv. & Event Ctrs • Energy • Government • Healthcare	• Industrial & Mining • Infrastructure • Leisure • Retail • Transportation
CANDRAFTVSI	• The premiere Bridge and Complex Structures Detailing and Building Information Modelling (BIM) firm in N.A.	• Bridge Detailing • Steel Detailing • 3D BIM Modelling • Connection Design	• Bridge • Commercial • Conv. & Event Ctrs	• Energy • Government • Infrastructure

Global Marine Group

Global Marine Group - Business Description:

"Engineering a Clean and Connected Future"

- Leading provider of offshore marine engineering delivered via three business units
- Founded in 1850 - Headquartered in UK with major regional hub in Singapore and an established European base in Germany

Select Management:

- Dick Fagerstal – Executive Chairman
- Ian Douglas – Chief Executive Officer

Global Marine Highlights:

- Fiber optic cable solutions to the telecommunications and oil & gas markets
- Installed roughly 21% of the world's subsea fiber optic cable, amounting to 300,000km
- In maintenance, Global Marine benefits from long-term contracts with high renewal rates; Responsible for 385,000km of the total 1,200,000km of global in-service cable
- Significant opportunities in Telecom through 49% owned strategic joint ventures with Huawei Technologies (HMN) and China Telecom (SBSS)

CWind Highlights:

- Power cable and asset management services to the offshore renewables and utilities market
- Recognised for power cable repair solutions and the ability to mobilise quickly to minimise system downtime
- CWind delivers a broad spectrum of topside and subsea services to developers and has experience at over 40 wind farms to date
- CWind is strongly differentiated as the only integrated service provider
- CWind is recognized for having the most fuel efficient Crew Transport Vessel (CTV) fleet in the market

Global Offshore Highlights:

- Trenching and power cable lay services to the oil & gas industry
- To date, the Global Offshore team has been involved in the installation of more than 470 power cables
- Market-leading Q1400 trenching system effective in the harshest of seas and most challenging of seabed conditions
- Completed work on five UK and two European wind farms to date
- Multiple operations in oil & gas for major oil companies such as Shell and BP

Select Customers:

Technip, T · · ·, SENVION, Sprint, SIEMENS, at&t, RWE, SingTel, PRYSMIAN, bp, e·on, AkerBP, tampnet, VATTENFALL, DONG energy, Shell

11/30/17: Global Marine Group closes acquisition of Fugro's Trenching and Cable Lay Services Business

Global Marine Group

	Global Marine	CWIND	Global Offshore
Core Activities	**Maintenance** • Provision of vessels on standby to repair fiber optic telecom cables in defined geographic zones • Location of fault, cable recovery, jointing and re-deployment of cables • Operation of depots storing cable and spare parts across the globe • Management of customer data through the life of the cable system	**Wind Farm** • Offshore wind planning, construction and operations & maintenance support services • Fleet of Crew Transfer Vessels (CTVs) which have a historically high utilisation and are positioned 4th in the overall CTV market • Over 250 certified & experienced personnel including technicians, riggers, slingers, lifting supervisors & foremen • Offshore training facility	**Trenching** • Trenching of cables, rigid & flexible pipelines and umbilicals • Precision installation in challenging seabed environments utilizing the market-leading Q1400 which able to perform jet trenching in soils of up to 100KPA • Providing maximum, long-term protection of assets • Engineering support & project management
Core Activities	**Fiber Optic Cable Installation** • Provision of turnkey repeated telecom systems via Huawei Marine ("HMN") joint-venture • Installation contracts for telecom customers • Services include route planning, route survey, cable mapping, route engineering, laying, trenching and burial at all depths • Fiber optic communications infrastructure to offshore platforms • Permanent Reservoir Monitoring ("PRM") systems	**Power Cable Installation & Repair** • Installation for inter-array power cables for offshore wind market • Maintenance provision, including cable storage, power joint development and vessel availability • Offshore wind planning, Interconnector installation • Services include route planning, route survey, cable mapping, route engineering, laying, trenching and burial at all depths	**Power Cable Installation** • Planning, installation, burial, storage, testing, locating, recovering and maintaining subsea cables and other subsea assets • Modern assets including the Global Symphony and the Q1400 trenching system • Approximately 400 m² of available space aft of the cable lay spread, allowing space for up to ten 20 foot containers of cable protection system • 470 power cables installed to date
Vessels	• Cable Retriever • Pacific Guardian • Wave Sentinel • Cable Innovator • C.S. Sovereign • CS Recorder • Networker • Global Symphony	• 16 owned Crew Transfer Vessels in CWind Fleet • C.S. Sovereign • CS Recorder • Global Symphony	• Global Symphony
Joint Ventures	• Sino British Submarine Systems in Asia (SBSS); Joint venture (49%) with China Telecom • Huawei Marine; Joint venture (49%) with Huawei Technologies • International Cableship Pte Ltd ("ICPL") • Joint venture (30%) with SingTel and ASEAN Cableship • SCDPL; Joint venture (40%) with SingTel	• National Wind Farm Training Centers (100%) • Sino British Submarine Systems in Asia; Joint venture (49%) with China Telecom	

American Natural Gas

Business Description:

- Designs, builds, owns, operates and maintains compressed natural gas commercial fueling stations for transportation
- Building a premier nationwide network of publically accessible heavy duty CNG fueling stations throughout the United States designed and located to serve fleet customers
  - Completed the integration & upgrade of 18 fueling stations; 44 stations owned or operated nationwide
  - Expect to expand station footprint via organic and select M&A opportunities
- Founded in 2011, with headquarters in Saratoga Springs, New York

Select Management:

- Drew West – Founder and Chief Executive Officer

"Fueling the Future"

Currently 44 stations owned or operated in 15 states across the United States*

Why CNG?:

- American transportation sector is rapidly converting from foreign-dependent diesel fuel to clean burning natural gas:
  - Dramatically reduces emissions
  - Extends truck life
  - Significantly reduces fuel cost
- Given the cost effectiveness of CNG, its environmental friendliness and the abundance of natural gas reserves in the United States, CNG is the best candidate for alternatives to gasoline and diesel for the motor vehicle market

PTGi International Carrier Services ("PTGi ICS")

Business Description:

- Leading international wholesale telecom service company providing voice and data call termination to the telecom industry worldwide
- Provides transit and termination of telephone calls through its own global network of next-generation IP soft switches and media gateways, connecting the networks of incumbent telephone companies, mobile operators and OTT companies worldwide
- Restructured in 2014, PTGi ICS now delivers industry leading technology via best of breed sales and operational support teams
  - 4Q17: Eleventh consecutive quarter of positive Adjusted EBITDA
  - 4Q17: Sixth consecutive quarter of cash dividend to HC2
- In business since 1997, recognized as a trusted business partner globally
- Headquartered in Herndon, Virginia with representation across North America, South America, the Middle East and Europe

Select Management:

- Craig Denson – Chief Executive Officer

Continental Insurance Group

Business Description:

- The formation of Continental Insurance Group ("CIG") in April 2015 to invest in the long-term care and life insurance sector is consistent with HC2's overall strategy of taking advantage of dislocated and undervalued operating businesses
- Through CIG, HC2 intends to build an attractive platform of insurance businesses
- In December 2015, HC2 completed the acquisition of American Financial Group's long-term care and life insurance businesses, United Teacher Associates Insurance Company and Continental General Insurance Company
- Key measures as of December 31, 2017:
  - Statutory Surplus ~$74.7 million / Total Adjusted Capital ~$86.4 million
  - GAAP Assets of ~$2.1 billion / Cash and Invested Assets ~$1.5 billion

CONTINENTAL LTC INC.

Signed Definitive Agreement to Acquire Humana's Long-Term Care Insurance Business *

- Total Statutory Capital ~$150 million; ~$2.3 billion of cash and invested assets as of September 30, 2017
- Immediately accretive to Continental's Risk Based Capital ratio and Statutory Capital
- Once completed, Continental will have approximately $3.5 billion in cash and invested assets

Select Management:

- James P. Corcoran – Executive Chair
  - James has extensive experience in the insurance industry on both the corporate and regulatory side as the former Superintendent of Insurance of the State of New York

All data as of December 31, 2017 unless otherwise noted
* Humana acquisition expected to close by 3Q18

Pansend

HC2's Pansend Life Sciences Segment Is Focused on the Development of Innovative Healthcare Technologies and Products

BeneVir	• 80% equity ownership of company focused on immunotherapy; Oncolytic virotherapy for treatment of solid cancer tumors • Founded by Dr. Matthew Mulvey & Dr. Ian Mohr (who co-developed T-Vec); Biovex (owner of T-Vec) acquired by Amgen for ~$1billion • BeneVir's T-Stealth is a second generation oncolytic virus with new features and new intellectual property • BeneVir holds exclusive worldwide license to develop BV-2711 (T-Stealth) • Granted new patent entitled *"Oncolytic Herpes Simplex Virus and Therapeutic Uses Thereof"*, covering the composition of matter for Stealth-1H, BeneVir's lead oncolytic immunotherapy, as well as other platform assets (2Q17)
R2 dermatology	• 74% equity ownership of dermatology company focused on lightening and brightening skin • Founded by Pansend in partnership with Mass. General Hospital and inventors Dr. Rox Anderson, Dieter Manstein and Dr. Henry Chan • Over $20 billion global market • Received Food and Drug Administration approval for the R2 Dermal Cooling System (4Q16) • Received Food and Drug Administration approval for second generation R2 Dermal Cooling System (2Q17)
GENOVEL	• 80% equity ownership in company with unique knee replacements based on technology from Dr. Peter Walker, NYU Dept. of Orthopedic Surgery and one of the pioneers of the original Total Knee. • "Mini-Knee" for early osteoarthritis of the knee; "Anatomical Knee" – A Novel Total Knee Replacement • Strong patent portfolio
MediBeacon	• 50% equity ownership in company with unique technology and device for monitoring of real-time kidney function • Current standard diagnostic tests measure kidney function are often inaccurate and not real-time • MediBeacon's Optical Renal Function Monitor will be first and only, non-invasive system to enable real-time, direct monitoring of renal function at point-of-care • $3.5 billion potential market • Successfully completed a key clinical study of its unique, real-time kidney monitoring system on subjects with impaired kidney function at Washington University in St. Louis. (1Q17)
Triple Ring technologies	• Profitable technology and product development company • Areas of expertise include medical devices, homeland security, imaging systems, sensors, optics, fluidics, robotics and mobile healthcare • Located in Silicon Valley and Boston area with over 90,000 square feet of working laboratory and incubator space • Contract R&D market growing rapidly • Customers include Fortune 500 companies and start-ups

Note: Equity ownership percentages do not reflect fully diluted amounts.
All data as of December 31, 2017 unless otherwise noted

704Games
(Formerly Dusenberry Martin Racing (DMi, Inc.))

Business Description:

- Owns worldwide exclusive licensing rights to NASCAR® simulation style racing titles on interactive entertainment platforms
  - Owns all the code, artwork and animation previously developed for legacy games
  - License also extends to NASCAR® racetracks and all the leading NASCAR® race teams and drivers
  - Since inception, 704Games developed an all-new NASCAR® racing simulation game, NASCAR® Heat Evolution, for PlayStations 4, Xbox One and PC, as well as NASCAR-themed mobile trivia and slots games
- In April 2016, DMR secured $8.0m in additional equity growth capital from consortium of new investors including superstar drivers Joey Logano and Brad Keselowski
  - NASCAR® Heat Evolution successfully released September 2016
  - NASCAR® Heat Evolution announced 2017 Team Update available February 2017
    - Team & Roster Updates, New Drivers, New Paint Schemes, 2017 NASCAR® Schedule, etc.
  - DMR Re-brands to 704Games – Appoints racing industry veteran Paul Brooks as CEO and Brad Keselowski to Board of Directors (March 2017)
  - NASCAR® Heat Mobile game released (May 2017)
  - NASCAR® Heat 2 released (September 2017)
- Headquartered in Charlotte, NC in NASCAR® Headquarters building (NASCAR® Plaza)

Consolidated Financial Summary

($USD millions)

		Q4 2017	Q4 2016	FY 2017	FY 2016
Statement of Operations *(Selected Financial Data)*	Total Net Revenue	$458.5	$454.0	$1,634.1	$1,558.1
	Total Operating Expenses	$460.0	$449.0	$1,635.3	$1,559.5
	Income Loss From Operations	($1.5)	$5.0	($1.1)	($1.4)
	Interest Expense	($15.7)	($11.8)	($55.1)	($43.4)
	Income From Equity Investees	$5.2	$7.6	$17.8	$10.8
	Income (loss) Before Taxes	($11.2)	($6.7)	($39.8)	($45.8)
	Net Loss attributable to common and participating preferred	($9.2)	($67.3)	($49.7)	($105.4)
Non-GAAP Measures	Core Operating Adjusted EBITDA	$32.4	$37.9	$105.5	$109.1
	Total Adjusted EBITDA	$19.7	$26.5	$50.8	$60.2
	Insurance AOI	$2.6	($6.9)	$8.0	($15.9)

Note: Reconciliations of Adjusted EBITDA and Adjusted Operating Income to U.S. GAAP Net Income in appendix. Table may not foot due to rounding. Adjusted Operating Income for Q1 2016 was adjusted to exclude certain intercompany eliminations to better reflect the results of the insurance segment, and remain consistent with internally reported metrics. Additional details in appendix.

Segment Financial Summary

($USD millions)

Adjusted EBITDA for "Core Operating Subsidiaries" $105.5m for FY 2017

		FY 2017	Q4 2017	Q3 2017	Q2 2017	Q1 2017	FY 2016
Adjusted EBITDA	**Core Operating Subsidiaries**						
	Construction	$51.6	$15.1	$16.8	$11.1	$8.6	$59.9
	Marine Services	44.0	15.3	8.8	3.6	16.3	41.2
	Energy	2.9	0.4	0.3	1.0	1.2	2.5
	Telecom	6.9	1.6	1.5	2.2	1.7	5.6
	Total Core Operating	**$105.5**	**$32.4**	**$27.3**	**$17.9**	**$27.8**	**$109.1**
	Early Stage and Other Holdings						
	Life Sciences	($22.4)	($5.2)	($8.2)	($4.9)	($4.1)	($12.0)
	Other	(3.1)	1.3	(1.1)	(2.2)	(1.2)	(11.2)
	Total Early Stage and Other	**($25.5)**	**($3.9)**	**($9.3)**	**($7.1)**	**($5.2)**	**($23.2)**
	Non-Operating Corporate	($29.2)	($8.7)	($8.3)	($6.3)	($5.9)	($25.7)
	Total HC2 (excluding Insurance)	**$50.8**	**$19.7**	**$9.8**	**$4.6**	**$16.7**	**$60.2**
Adjusted Operating Income	**Core Financial Services**						
	Insurance	$8.0	$2.6	$3.7	$2.6	($1.0)	($15.9)

Note: Reconciliations of Adjusted EBITDA and Adjusted Operating Income to U.S. GAAP Net Income in appendix. Table may not foot due to rounding. Adjusted Operating Income for Q1 2016 was adjusted to exclude certain intercompany eliminations to better reflect the results of the insurance segment, and remain consistent with internally reported metrics. Additional details in appendix.

All data as of December 31, 2017
Construction formerly Manufacturing; Energy formerly Utilities.

Reconciliation of U.S. GAAP Net Income (Loss) to Adjusted EBITDA Full Year Ended December 31, 2017

($USD thousands)

Year Ended December 31, 2017	Core Operating Subsidiaries				Early Stage & Other		Non-operating Corporate	Total HC2
	Construction	Marine	Energy	Telecom	Life Sciences	Other & Elimination		
Net loss attributable to HC2 Holdings, Inc.								$ (46,911)
Less: Net Income attributable to HC2 Holdings Insurance segment								7,066
Net Income (loss) attributable to HC2 Holdings, Inc., excluding Insurance Segment	$ 23,624	$ 15,173	$ (516)	$ 6,163	$ (18,098)	$ (18,005)	$ (62,318)	$ (53,977)
Adjustments to reconcile net income (loss) to Adjusted EBITDA:								
Depreciation and amortization	5,583	22,898	5,071	371	186	1,508	71	35,688
Depreciation and amortization (included in cost of revenue)	5,254	-	-	-	-	-	-	5,254
Amortization of equity method fair value adjustment at acquisition	-	(1,594)	-	-	-	-	-	(1,594)
Asset impairment expense	-	-	-	-	-	1,810	-	1,810
(Gain) loss on sale or disposal of assets	292	(3,500)	247	181	-	-	-	(2,780)
Lease termination costs	-	249	-	17	-	-	-	266
Interest expense	976	4,392	1,181	41	-	4,373	44,135	55,098
Net loss (gain) on contingent consideration	-	-	-	-	-	-	(11,411)	(11,411)
Other (income) expense, net	(41)	2,683	1,488	149	(17)	6,541	(92)	10,711
Foreign currency (gain) loss (included in cost of revenue)	-	(79)	-	-	-	-	-	(79)
Income tax (benefit) expense	10,679	203	(4,243)	7	(820)	(1,129)	(10,185)	(5,488)
Noncontrolling interest	1,941	260	(681)	-	(3,936)	(1,164)	-	(3,580)
Bonus to be settled in equity	-	-	-	-	-	-	4,130	4,130
Share-based compensation expense	-	1,527	364	-	319	279	2,754	5,243
Non-recurring items	-	-	-	-	-	-	-	-
Acquisition costs	3,280	1,815	-	-	-	2,648	3,764	11,507
Adjusted EBITDA	**$ 51,588**	**$ 44,027**	**$ 2,911**	**$ 6,929**	**$ (22,366)**	**$ (3,139)**	**$ (29,152)**	**$ 50,798**
Total Core Operating Subsidiaries	**$ 105,455**							

Reconciliation of U.S. GAAP Net Income (Loss) to Adjusted EBITDA Full Year Ended December 31, 2016

($USD thousands)

Year Ended December 31, 2016	Core Operating Subsidiaries				Early Stage & Other			
	Construction	Marine	Energy	Telecom	Life Sciences	Other & Elimination	Non-operating Corporate	Total HC2
Net loss attributable to HC2 Holdings, Inc.								$ (94,549)
Less: Net loss attributable to HC2 Holdings Insurance segment								(14,028)
Net Income (loss) attributable to HC2 Holdings, Inc., excluding Insurance Segment	$ 28,002	$ 17,447	$ 7	$ 1,435	$ (7,646)	$ (24,800)	$ (94,966)	$ (80,521)
Adjustments to reconcile net income (loss) to Adjusted EBITDA:								
Depreciation and amortization	1,892	22,007	2,248	504	124	1,480	9	28,264
Depreciation and amortization (included in cost of revenue)	4,370	-	-	-	-	-	-	4,370
Amortization of equity method fair value adjustment at acquisition	-	(1,371)	-	-	-	-	-	(1,371)
(Gain) loss on sale or disposal of assets	1,663	(9)	-	708	-	-	-	2,362
Lease termination costs	-	-	-	179	-	-	-	179
Interest expense	1,239	4,774	211	-	-	1,164	35,987	43,375
Net loss (gain) on contingent consideration	-	(2,482)	-	-	-	-	11,411	8,929
Other (income) expense, net	(163)	(2,424)	(8)	(87)	(3,213)	9,987	(1,277)	2,815
Foreign currency (gain) loss (included in cost of revenue)	-	(1,106)	-	-	-	-	-	(1,106)
Income tax (benefit) expense	18,727	1,394	(535)	2,803	1,558	3,250	11,245	38,442
Noncontrolling interest	1,834	974	(4)	-	(3,111)	(2,575)	-	(2,882)
Bonus to be settled in equity	-	-	-	-	-	-	2,503	2,503
Share-based compensation expense	-	1,682	597	-	251	273	5,545	8,348
Non-recurring items	-	-	-	-	-	-	1,513	1,513
Acquisition Costs	2,296	290	27	18	-	-	2,312	4,943
Adjusted EBITDA	**$ 59,860**	**$ 41,176**	**$ 2,543**	**$ 5,560**	**$ (12,037)**	**$ (11,221)**	**$ (25,718)**	**$ 60,163**
Total Core Operating Subsidiaries	**$ 109,139**							

Reconciliation of U.S. GAAP Net Income (Loss) to Adjusted EBITDA
Full Year Ended December 31, 2015

($USD thousands)

Year Ended December 31, 2015	Core Operating Subsidiaries				Early Stage & Other		Non-operating Corporate	Total HC2
	Construction	**Marine**	**Energy**	**Telecom**	**Life Sciences**	**Other & Elimination**		
Net Income (loss) attributable to HC2 Holdings, Inc.								$ (35,565)
Less: Net Income (loss) attributable to HC2 Holdings Insurance Segment								1,327
Net Income (loss) attributable to HC2 Holdings, Inc., excluding Insurance Segment	$ 24,451	$ 20,855	$ (274)	$ 2,779	$ (4,575)	$ (18,276)	$ (61,852)	$ (36,892)
Adjustments to reconcile net income (loss) to Adjusted EBITDA:								
Depreciation and amortization	2,016	18,772	1,635	417	20	1,934	-	24,794
Depreciation and amortization (included in cost of revenue)	7,659	-	-	-	-	-	-	7,659
Amortization of equity method fair value adjustment at acquisition	-	(1,516)	-	-	-	-	-	(1,516)
Asset impairment expense	-	547	-	-	-	-	-	547
(Gain) loss on sale or disposal of assets	257	(138)	-	50	-	1	-	170
Lease termination costs	-	-	-	1,184	-	1	-	1,185
Interest expense	1,379	3,803	42	-	-	-	33,793	39,017
Other (income) expense, net	(443)	(1,340)	(42)	(2,304)	(1)	5,764	5,242	6,876
Foreign currency (gain) loss (included in cost of revenue)	-	(2,039)	-	-	-	-	-	(2,039)
Income tax (benefit) expense	15,572	400	(347)	(237)	(1,037)	(7,733)	(16,052)	(9,434)
Loss from discontinued operations	20	-	-	-	-	1	-	21
Noncontrolling interest	1,136	616	(267)	-	(1,681)	(1)	-	(197)
Share-based payment expense	-	-	49	-	71	-	10,982	11,102
Acquisition and nonrecurring items	-	2,181	70	121	23	-	8,362	10,757
Adjusted EBITDA	**$ 52,047**	**$ 42,141**	**$ 866**	**$ 2,010**	**$ (7,180)**	**$ (18,309)**	**$ (19,525)**	**$ 52,050**
Total Core Operating Subsidiaries	**$ 97,064**							

Reconciliation of U.S. GAAP Net Income (Loss) to Adjusted EBITDA
Three Months Ended December 31, 2017

($USD thousands)

Three Months Ended December 31, 2017	Core Operating Subsidiaries				Early Stage & Other		Non-operating Corporate	Total HC2
	Construction	Marine	Energy	Telecom	Life Sciences	Other & Elimination		
Net loss attributable to HC2 Holdings, Inc.								$ (8,537)
Less: Net Income attributable to HC2 Holdings Insurance segment								3,383
Net Income (loss) attributable to HC2 Holdings, Inc., excluding Insurance Segment	$ 9,160	$ 6,230	$ 1,485	$ 1,253	$ (3,822)	$ (8,218)	$ (18,008)	$ (11,920)
Adjustments to reconcile net income (loss) to Adjusted EBITDA:								
Depreciation and amortization	1,389	6,337	1,195	86	57	575	21	9,660
Depreciation and amortization (included in cost of revenue)	1,419	-	-	-	-	-	-	1,419
Amortization of equity method fair value adjustment at acquisition	-	(371)	-	-	-	-	-	(371)
Asset impairment expense	-	-	-	-	-	-	-	-
(Gain) loss on sale or disposal of assets	199	-	208	181	-	-	-	588
Lease termination costs	-	-	-	2	-	-	-	2
Interest expense	357	1,029	629	4	-	1,965	11,704	15,688
Net loss (gain) on contingent consideration	-	-	-	-	-	-	(5,410)	(5,410)
Other (income) expense, net	117	240	(164)	72	8	3,741	368	4,382
Foreign currency (gain) loss (included in cost of revenue)	-	52	-	-	-	-	-	52
Income tax (benefit) expense	887	(36)	(4,255)	7	(820)	(1,129)	(1,073)	(6,419)
Noncontrolling interest	751	(121)	1,321	-	(728)	1,502	-	2,725
Bonus to be settled in equity	-	-	-	-	-	-	2,780	2,780
Share-based compensation expense	-	394	3	-	80	213	547	1,237
Non-recurring items	-	-	-	-	-	-	-	-
Acquisition costs	833	1,515	-	-	-	2,648	339	5,335
Adjusted EBITDA	**$ 15,112**	**$ 15,269**	**$ 422**	**$ 1,605**	**$ (5,225)**	**$ 1,297**	**$ (8,732)**	**$ 19,748**
Total Core Operating Subsidiaries	**$ 32,408**							

Reconciliation of U.S. GAAP Net Income (Loss) to Adjusted EBITDA Three Months Ended September 30, 2017

($USD thousands)

Three Months Ended September 30, 2017	Core Operating Subsidiaries				Early Stage & Other		Non-operating Corporate	Total HC2
	Construction	Marine	Energy	Telecom	Life Sciences	Other & Elimination		
Net loss attributable to HC2 Holdings, Inc.								$ (5,967)
Less: Net Income attributable to HC2 Holdings Insurance segment								4,280
Net Income (loss) attributable to HC2 Holdings, Inc., excluding Insurance Segment	$ 7,082	$ 844	$ (939)	$ 1,348	$ (6,760)	$ (600)	$ (11,222)	$ (10,247)
Adjustments to reconcile net income (loss) to Adjusted EBITDA:								
Depreciation and amortization	1,314	6,221	1,247	94	50	272	17	9,215
Depreciation and amortization (included in cost of revenue)	1,293	-	-	-	-	-	-	1,293
Amortization of equity method fair value adjustment at acquisition	-	(573)	-	-	-	-	-	(573)
Asset impairment expense	-	-	-	-	-	-	-	-
(Gain) loss on sale or disposal of assets	486	-	25	-	-	-	-	511
Lease termination costs	-	-	-	15	-	-	-	15
Interest expense	238	1,021	262	14	-	1	11,686	13,222
Net loss (gain) on contingent consideration	-	-	-	-	-	-	(6,320)	(6,320)
Other (income) expense, net	(165)	888	277	12	(10)	(118)	(718)	166
Foreign currency (gain) loss (included in cost of revenue)	-	(238)	-	-	-	-	-	(238)
Income tax (benefit) expense	4,481	(137)	-	-	-	-	(4,746)	(402)
Noncontrolling interest	558	43	(763)	-	(1,506)	(689)	-	(2,357)
Bonus to be settled in equity	-	-	-	-	-	-	765	765
Share-based compensation expense	-	394	179	-	71	19	718	1,381
Non-recurring items	-	-	-	-	-	-	-	-
Acquisition costs	1,501	300	-	-	-	-	1,564	3,365
Adjusted EBITDA	**$ 16,788**	**$ 8,763**	**$ 288**	**$ 1,483**	**$ (8,155)**	**$ (1,115)**	**$ (8,256)**	**$ 9,796**
Total Core Operating Subsidiaries	**$ 27,322**							

Reconciliation of U.S. GAAP Net Income (Loss) to Adjusted EBITDA
Three Months Ended June 30, 2017

($USD thousands)

Three Months Ended June 30, 2017

	Core Operating Subsidiaries				Early Stage & Other		Non-operating Corporate	Total HC2
	Construction	**Marine**	**Energy**	**Telecom**	**Life Sciences**	**Other & Elimination**		
Net loss attributable to HC2 Holdings, Inc.								$ (17,911)
Less: Net Income attributable to HC2 Holdings Insurance segment								164
Net Income (loss) attributable to HC2 Holdings, Inc., excluding Insurance Segment	$ 4,179	$ (3,053)	$ (365)	$ 2,060	$ (4,106)	$ (3,757)	$ (13,033)	$ (18,075)
Adjustments to reconcile net income (loss) to Adjusted EBITDA:								
Depreciation and amortization	1,240	5,255	1,381	94	41	331	16	8,358
Depreciation and amortization (included in cost of revenue)	1,302	-	-	-	-	-	-	1,302
Amortization of equity method fair value adjustment at acquisition	-	(325)	-	-	-	-	-	(325)
Asset impairment expense	-	-	-	-	-	1,810	-	1,810
(Gain) loss on sale or disposal of assets	(145)	-	18	-	-	-	-	(127)
Lease termination costs	-	55	-	-	-	-	-	55
Interest expense	174	1,040	154	14	-	16	10,675	12,073
Net loss (gain) on contingent consideration	-	-	-	-	-	-	88	88
Other (income) expense, net	28	490	255	(9)	(11)	803	214	1,770
Foreign currency (gain) loss (included in cost of revenue)	-	83	-	-	-	-	-	83
Income tax (benefit) expense	3,232	(134)	(1)	-	-	-	(6,543)	(3,446)
Noncontrolling interest	369	(156)	(492)	-	(911)	(1,372)	-	(2,562)
Bonus to be settled in equity	-	-	-	-	-	-	585	585
Share-based compensation expense	-	394	91	-	76	18	527	1,106
Non-recurring items	-	-	-	-	-	-	-	-
Acquisition costs	701	-	-	-	-	-	1,168	1,869
Adjusted EBITDA	**$ 11,080**	**$ 3,649**	**$ 1,041**	**$ 2,159**	**$ (4,911)**	**$ (2,151)**	**$ (6,303)**	**$ 4,564**
Total Core Operating Subsidiaries	**$ 17,929**							

Reconciliation of U.S. GAAP Net Income (Loss) to Adjusted EBITDA
Three Months Ended March 31, 2017

($USD thousands)

Three Months Ended March 31, 2017

	Core Operating Subsidiaries				Early Stage & Other			
	Construction	Marine	Energy	Telecom	Life Sciences	Other & Elimination	Non-operating Corporate	Total HC2
Net loss attributable to HC2 Holdings, Inc.								$ (14,496)
Less: Net loss attributable to HC2 Holdings Insurance segment								(761)
Net Income (loss) attributable to HC2 Holdings, Inc., excluding Insurance Segment	$ 3,203	$ 11,152	$ (697)	$ 1,502	$ (3,410)	$ (5,430)	$ (20,055)	$ (13,735)
Adjustments to reconcile net income (loss) to Adjusted EBITDA:								
Depreciation and amortization	1,640	5,085	1,248	97	38	330	16	8,454
Depreciation and amortization (included in cost of revenue)	1,240	-	-	-	-	-	-	1,240
Amortization of equity method fair value adjustment at acquisition	-	(325)	-	-	-	-	-	(325)
Asset impairment expense	-	-	-	-	-	-	-	-
(Gain) loss on sale or disposal of assets	(248)	(3,500)	(4)	-	-	-	-	(3,752)
Lease termination costs	-	194	-	-	-	-	-	194
Interest expense	207	1,302	136	9	-	2,391	10,070	14,115
Net loss (gain) on contingent consideration	-	-	-	-	-	-	231	231
Other (income) expense, net	(21)	1,065	1,120	74	(4)	2,115	44	4,393
Foreign currency (gain) loss (included in cost of revenue)	-	24	-	-	-	-	-	24
Income tax (benefit) expense	2,079	510	13	-	-	-	2,177	4,779
Noncontrolling interest	263	494	(747)	-	(791)	(605)	-	(1,386)
Bonus to be settled in equity	-	-	-	-	-	-	-	-
Share-based compensation expense	-	345	91	-	92	29	962	1,519
Non-recurring items	-	-	-	-	-	-	-	-
Acquisition costs	245	-	-	-	-	-	693	938
Adjusted EBITDA	**$ 8,608**	**$ 16,346**	**$ 1,160**	**$ 1,682**	**$ (4,075)**	**$ (1,170)**	**$ (5,862)**	**$ 16,689**
Total Core Operating Subsidiaries	**$ 27,796**							

Reconciliation of U.S. GAAP Net Income (Loss) to Adjusted EBITDA Three Months Ended December 31, 2016

($USD thousands)

Three Months Ended December 31, 2016	Core Operating Subsidiaries				Early Stage & Other		Non-operating Corporate	Total HC2
	Construction	Marine	Energy	Telecom	Life Sciences	Other & Elimination		
Net loss attributable to HC2 Holdings, Inc.								$ (61,464)
Less: Net loss attributable to HC2 Holdings Insurance segment								(2,050)
Net Income (loss) attributable to HC2 Holdings, Inc., excluding Insurance Segment	$ 7,292	$ 8,667	$ (61)	$ (2,572)	$ (4,655)	$ (3,536)	$ (64,549)	$ (59,414)
Adjustments to reconcile net income (loss) to Adjusted EBITDA:								
Depreciation and amortization	629	5,214	769	115	37	430	5	7,199
Depreciation and amortization (included in cost of revenue)	1,322	-	-	-	-	-	-	1,322
Amortization of equity method fair value adjustment at acquisition	-	(325)	-	-	-	-	-	(325)
(Gain) loss on sale or disposal of assets	2,626	1	-	708	-	-	-	3,335
Lease termination costs	-	-	-	-	-	-	-	-
Interest expense	322	1,091	69	-	-	1,163	9,116	11,761
Net loss (gain) on contingent consideration	-	(2,482)	-	-	-	-	11,411	8,929
Other (income) expense, net	(75)	(1,234)	391	487	10	99	(966)	(1,288)
Foreign currency (gain) loss (included in cost of revenue)	-	864	-	-	-	-	-	864
Income tax (benefit) expense	6,086	2,150	(535)	2,803	1,558	3,250	32,726	48,038
Noncontrolling interest	594	464	(253)	-	(809)	(513)	-	(517)
Bonus to be settled in equity	-	-	-	-	-	-	2,503	2,503
Share-based compensation expense	-	375	490	-	67	35	712	1,679
Non-recurring items	-	-	-	-	-	-	-	-
Acquisition Costs	1,868	24	-	-	-	-	490	2,382
Adjusted EBITDA	**$ 20,664**	**$ 14,809**	**$ 870**	**$ 1,541**	**$ (3,792)**	**$ 928**	**$ (8,552)**	**$ 26,468**
Total Core Operating Subsidiaries	**$ 37,884**							

Reconciliation of U.S. GAAP Net Income (Loss) to Adjusted EBITDA
Three Months Ended September 30, 2016

($USD thousands)

Three Months Ended September 30, 2016	Core Operating Subsidiaries				Early Stage & Other			
	Construction	Marine	Energy	Telecom	Life Sciences	Other & Elimination	Non-operating Corporate	Total HC2
Net Income (loss) attributable to HC2 Holdings, Inc.								$ (4,558)
Less: Net loss attributable to HC2 Holdings Insurance segment								(2,189)
Net Income (loss) attributable to HC2 Holdings, Inc., excluding Insurance Segment	$ 6,962	$ 8,696	$ 27	$ 1,796	$ (2,285)	$ (8,160)	$ (9,404)	$ (2,368)
Adjustments to reconcile net income (loss) to Adjusted EBITDA:								
Depreciation and amortization	431	5,554	582	144	32	380	4	7,127
Depreciation and amortization (included in cost of revenue)	1,321	-	-	-	-	-	-	1,321
Amortization of equity method fair value adjustment at acquisition	-	(329)	-	-	-	-	-	(329)
Asset impairment expense	-	-	-	-	-	-	-	-
(Gain) loss on sale or disposal of assets	(23)	-	-	-	-	-	-	(23)
Lease termination costs	-	-	-	(159)	-	-	-	(159)
Interest expense	304	1,328	119	-	-	-	8,969	10,720
Net gain on contingent consideration	-	(1,381)	-	-	-	-	-	(1,381)
Other (income) expense, net	(12)	(632)	(24)	422	(2)	3,892	835	4,479
Foreign currency (gain) loss (included in cost of revenue)	-	(283)	-	-	-	-	-	(283)
Income tax (benefit) expense	4,672	96	-	-	-	-	(7,851)	(3,083)
Noncontrolling interest	411	465	27	-	(770)	(974)	-	(841)
Share-based payment expense	-	546	3	-	128	37	1,088	1,802
Non-recurring items	-	-	-	-	-	-	-	-
Acquisition costs	429	-	-	-	-	-	821	1,250
Adjusted EBITDA	**$ 14,495**	**$ 14,060**	**$ 734**	**$ 2,203**	**$ (2,897)**	**$ (4,825)**	**$ (5,538)**	**$ 18,232**
Total Core Operating Subsidiaries	**$ 31,492**							

Reconciliation of U.S. GAAP Net Income (Loss) to Adjusted EBITDA Three Months Ended June 30, 2016

($USD thousands)

Three Months Ended June 30, 2016

	Core Operating Subsidiaries				Early Stage & Other			
	Construction	**Marine**	**Energy**	**Telecom**	**Life Sciences**	**Other & Elimination**	**Non-operating Corporate**	**Total HC2**
Net Income (loss) attributable to HC2 Holdings, Inc.								$ 1,935
Less: Net loss attributable to HC2 Holdings Insurance segment								(2,293)
Net Income (loss) attributable to HC2 Holdings, Inc., excluding Insurance Segment	$ 9,364	$ 6,002	$ 68	$ 1,009	$ (2,004)	$ (2,608)	$ (7,603)	$ 4,228
Adjustments to reconcile net income (loss) to Adjusted EBITDA:								
Depreciation and amortization	303	6,084	468	140	36	336	-	7,367
Depreciation and amortization (included in cost of revenue)	(206)	-	-	-	-	-	-	(206)
Amortization of equity method fair value adjustment at acquisition	-	(359)	-	-	-	-	-	(359)
Asset impairment expense	-	-	-	-	-	-	-	-
(Gain) loss on sale or disposal of assets	(1,845)	7	-	-	-	1	-	(1,837)
Lease termination costs	-	-	-	338	-	-	-	338
Interest expense	303	1,285	14	-	-	1	8,966	10,569
Gain on Contingent Consideration	-	(192)	-	-	-	-	-	(192)
Other (income) expense, net	(32)	403	(344)	29	-	(10)	465	511
Foreign currency (gain) loss (included in cost of revenue)	-	(1,540)	-	-	-	-	-	(1,540)
Income tax (benefit) expense	4,524	(212)	-	-	-	1	(9,404)	(5,091)
Noncontrolling interest	768	200	244	-	(812)	(1,044)	-	(644)
Share-based payment expense	-	152	90	-	34	40	1,359	1,675
Non-recurring items	-	-	-	-	-	-	-	-
Acquisition costs	-	-	-	18	-	-	313	331
Adjusted EBITDA	**$ 13,179**	**$ 11,830**	**$ 540**	**$ 1,534**	**$ (2,746)**	**$ (3,283)**	**$ (5,904)**	**$ 15,150**
Total Core Operating Subsidiaries	**$ 27,083**							

Reconciliation of U.S. GAAP Net Income (Loss) to Adjusted EBITDA
Three Months Ended March 31, 2016

($USD thousands)

Three Months Ended March 31, 2016	Core Operating Subsidiaries				Early Stage & Other		Non-operating Corporate	Total HC2
	Construction	Marine	Energy	Telecom	Life Sciences	Other & Elimination		
Net Income (loss) attributable to HC2 Holdings, Inc.								$ (30,462)
Less: Net loss attributable to HC2 Holdings Insurance segment								(7,496)
Net Income (loss) attributable to HC2 Holdings, Inc., excluding Insurance Segment	$ 4,384	$ (5,918)	$ (27)	$ 1,202	$ 1,298	$ (10,494)	$ (13,409)	$ (22,966)
Adjustments to reconcile net income (loss) to Adjusted EBITDA:								
Depreciation and amortization	529	5,155	429	106	19	336	-	6,574
Depreciation and amortization (included in cost of revenue)	1,933	-	-	-	-	-	-	1,933
Amortization of equity method fair value adjustment at acquisition	-	(358)	-	-	-	-	-	(358)
Asset impairment expense	-	-	-	-	-	-	-	-
(Gain) loss on sale or disposal of assets	904	(17)	-	-	-	-	-	887
Lease termination costs	-	-	-	-	-	-	-	-
Interest expense	310	1,070	9	-	-	-	8,937	10,326
Other (income) expense, net	(44)	612	(31)	(1,025)	(3,221)	6,005	(1,611)	686
Foreign currency (gain) loss (included in cost of revenue)	-	(147)	-	-	-	-	-	(147)
Income tax (benefit) expense	3,445	(640)	-	-	-	(1)	(4,226)	(1,422)
Noncontrolling interest	61	(155)	(22)	-	(720)	(44)	-	(880)
Share-based payment expense	-	609	14	-	22	160	2,386	3,191
Non-recurring items	-	-	-	-	-	-	-	-
Acquisition costs	-	266	27	-	-	1	2,201	2,495
Adjusted EBITDA	**$ 11,522**	**$ 477**	**$ 399**	**$ 283**	**$ (2,602)**	**$ (4,038)**	**$ (5,722)**	**$ 319**
Total Core Operating Subsidiaries	**$ 12,681**							

Reconciliation of U.S. GAAP Net Income (Loss) to Insurance Adjusted Operating Income

($USD thousands)

Adjusted Operating Income - Insurance ("Insurance AOI")

	FY 2017	Q4 2017	Q3 2017	Q2 2017	Q1 2017	FY 2016	Q4 2016
Net Income (loss) - Insurance segment	$ 7,066	$ 3,381	$ 4,282	$ 164	$ (761)	$ (14,028)	$ (2,050)
Net realized and unrealized gains on investment:	(4,983)	(2,129)	(978)	(1,095)	(781)	(5,019)	(7,696)
Asset impairment	3,364	-	-	2,842	522	2,400	2,400
Acquisition costs	2,535	1,377	422	736	-	714	445
Insurance AOI	**$ 7,982**	**$ 2,629**	**$ 3,726**	**$ 2,647**	**$ (1,020)**	**$ (15,933)**	**$ (6,901)**


HC2
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