
Section 1: 6-K (FORM 6-K)

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 6-K

REPORT OF FOREIGN PRIVATE ISSUER PURSUANT TO RULE 13a-16 OR 15d-16
UNDER THE SECURITIES EXCHANGE ACT OF 1934

For the month of **November, 2018**

Commission File Number: **000-55716**

Trilogy International Partners Inc.

(Translation of registrant's name into English)

155 - 108 Avenue NE, Suite 400, Bellevue, Washington 98004

(Address of principal executive office)

Indicate by check mark whether the registrant files or will file annual reports under cover Form 20-F or Form 40-F.

Form 20-F Form 40-F

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(1):

Indicate by check mark if the registrant is submitting the Form 6-K in paper as permitted by Regulation S-T Rule 101(b)(7):

Exhibits 99.1 and 99.2 to this report on Form 6-K shall be deemed to be filed and incorporated by reference into the registrant's Registration Statement on Form S-8 (File No. 333-218631) and Registration Statement on Form F-10 (File No. 333-219429) and to be a part of each thereof from the date on which said exhibits are filed with this report, to the extent not superseded by documents subsequently filed or furnished.

SUBMITTED HEREWITH

Exhibits

[99.1 Interim Management's Discussion and Analysis for the period ended September 30, 2018](#)

[99.2 Interim Financial Statements for the period ended September 30, 2018](#)

[99.3 Form 52-109F2 - Certification of Interim Filings - CEO](#)

[99.4 Form 52-109F2 - Certification of Interim Filings - CFO](#)

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, thereunto duly authorized.

TRILOGY INTERNATIONAL PARTNERS INC.
(Registrant)

Date: November 7, 2018

By: /s/ Erik Mickels

Erik Mickels

Title: Senior Vice President and Chief Financial Officer

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Section 2: EX-99.1 (EXHIBIT 99.1)

MANAGEMENT'S DISCUSSION AND ANALYSIS OF TRILOGY INTERNATIONAL PARTNERS INC.

This Management's Discussion and Analysis ("MD&A") contains important information about the business of Trilogy International Partners Inc. ("TIP Inc.", together with its consolidated subsidiaries, the "Company"), and their performance for the three and nine months ended September 30, 2018. This MD&A should be read in conjunction with: TIP Inc.'s audited consolidated financial statements for the year ended December 31, 2017, together with the notes thereto (the "Consolidated Financial Statements"), prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") as issued by the Financial Accounting Standards Board ("FASB"); TIP Inc.'s MD&A for the year ended December 31, 2017; and TIP Inc.'s condensed consolidated financial statements for the three and nine months ended September 30, 2018 and notes thereto (the "Condensed Consolidated Financial Statements"), prepared in accordance with U.S. GAAP.

On February 7, 2017, Trilogy International Partners LLC ("Trilogy LLC"), a Washington limited liability company, and Alignvest Acquisition Corporation (now TIP Inc.) completed a court approved plan of arrangement (the "Arrangement") pursuant to an arrangement agreement dated November 1, 2016 (as amended December 20, 2016, the "Arrangement Agreement"). As a result of the Arrangement, TIP Inc., through a wholly owned subsidiary, owns and controls a majority interest in Trilogy LLC. As of September 30, 2018, TIP Inc. holds a 66.2% economic ownership interest in Trilogy LLC.

All dollar amounts are in U.S. dollars ("USD"), unless otherwise stated. Amounts for subtotals, totals and percentage variances included in tables in this MD&A may not sum or calculate using the numbers as they appear in the tables due to rounding. This MD&A is current as of November 7, 2018 and was approved by the Company's board of directors.

Cautionary Note Regarding Forward-Looking Statements

Certain statements and information in this MD&A are not based on historical facts and constitute forward-looking statements or forward-looking information within the meaning of the U.S. Private Securities Litigation Reform Act of 1995 and Canadian securities laws ("forward-looking statements"), including the Company's business outlook for the short and longer term and statements regarding the Company's strategy, plans and future operating performance. Forward-looking statements are provided to help you understand the Company's views of its short and longer term plans, expectations and prospects. The Company cautions you that forward-looking statements may not be appropriate for other purposes.

Any statements that express or involve discussions with respect to predictions, expectations, beliefs, plans, projections, objectives, assumptions or future events or performance (often, but not always, identified by words or phrases such as "expects", "is expected", "anticipates", "believes", "plans", "projects", "estimates", "assumes", "intends", "strategy", "goals", "objectives", "potential", "possible" or variations thereof or stating that certain actions, events, conditions or results "may", "could", "would", "should", "might" or "will" occur, be taken, or be achieved, or the negative of any of these terms and similar expressions) are not statements of historical fact and may be forward-looking statements. Forward-looking statements are not promises or guarantees of future performance. Such statements reflect the Company's current views with respect to future events and are subject to, and are necessarily based upon, a number of estimates and assumptions that, while considered reasonable by the Company, are inherently subject to significant business, economic, competitive, political and social uncertainties and contingencies, many of which, with respect to future events, are subject to change. The material assumptions used by the Company to develop such forward-looking statements include, but are not limited to:

- the absence of unforeseen changes in the legislative and operating frameworks for the Company;
- the Company meeting its future objectives and priorities;
- the Company having access to adequate capital to fund its future projects and plans;

- the Company's future projects and plans proceeding as anticipated;
- taxes payable;
- subscriber growth, pricing, usage and "churn" rates;
- technology deployment;
- data based on good faith estimates that are derived from management's knowledge of the industry and other independent sources;
- general economic and industry growth rates; and
- commodity prices, currency exchange and interest rates and competitive intensity.

Forward-looking statements are based on estimates and assumptions made by the Company in light of its experience and its perception of historical trends, current conditions and expected future developments, as well as other factors that the Company believes are appropriate in the circumstances. Many factors could cause the Company's actual results, performance or achievements to differ materially from those expressed or implied by the forward-looking statements, including, without limitation, those described under the heading "*Risk Factors*" included in the Annual Information Form for the year ended December 31, 2017 (the "2017 AIF") filed on SEDAR by TIP Inc., and filed with the U.S. Securities and Exchange Commission ("SEC") EDGAR system together with the TIP Inc. Annual Report on Form 40-F for the year ended December 31, 2017 and those referred to in TIP Inc.'s other regulatory filings with the SEC in the United States and the provincial securities commissions in Canada. Such risks, as well as uncertainties and other factors that could cause actual events or results to differ significantly from those expressed or implied in the Company's forward-looking statements include, without limitation:

- Trilogy LLC's and the Company's history of incurring losses and the possibility that the Company will incur losses in the future;
- the Company having insufficient financial resources to achieve its objectives;
- risks associated with any potential acquisition, investment or merger;
- the Company's significant level of consolidated indebtedness and the refinancing, default and other risks, as well as the limits, restrictive covenants and restrictions resulting therefrom;
- the Company's and Trilogy LLC's status as holding companies;
- the restrictive covenants in the documentation evidencing the Company's outstanding indebtedness;
- the Company's ability to incur additional debt despite its indebtedness level;
- the Company's ability to pay interest due on its indebtedness;
- the Company's ability to refinance its indebtedness;
- the risk that the Company's credit ratings could be downgraded;
- the significant political, social, economic and legal risks of operating in Bolivia;
- the regulated nature of the industry in which the Company participates;
- the Company's operations being in markets with substantial tax risks and inadequate protection of shareholder rights;
- the need for spectrum access;
- the use of "conflict minerals" in handsets and the availability of certain products, including handsets;
- anti-corruption compliance;
- intense competition in all aspects of the Company's business;
- lack of control over network termination costs, roaming revenues and international long distance revenues;
- rapid technological change and associated costs;
- reliance on equipment suppliers;
- subscriber "churn" risks, including those associated with prepaid accounts;
- the need to maintain distributor relationships;
- the Company's future growth being dependent on innovation and development of new products;
- security threats and other material disruptions to the Company's wireless network;
- the ability of the Company to protect subscriber information and cybersecurity risks generally;
- actual or perceived health risks associated with handsets;
- litigation including class actions and regulatory matters;
- fraud, including device financing, customer credit card, subscription and dealer fraud;
- reliance on limited management resources;
- risks related to the minority shareholders of the Company's subsidiaries;
- general economic risks;
- natural disasters including earthquakes;
- foreign exchange rate changes;
- currency controls and withholding taxes;
- interest rate risk;
- Trilogy LLC's ability to utilize carried forward tax losses;
- tax related risks;
- the Company's dependence on Trilogy LLC to make contributions to pay the Company's taxes and other expenses;
- Trilogy LLC's obligations to make distributions to the Company and the other owners of Trilogy LLC;
- differing interests among TIP Inc. and Trilogy LLC's other equity owners in certain circumstances;
- the Company's internal controls over financial reporting;
- an increase in costs and demands on management resources when the Company ceases to qualify as an "emerging growth company" under the U.S. Jumpstart Our Business Startups Act of 2012 (the "JOBS Act");
- additional expenses if the Company loses its foreign private issuer status under U.S. federal securities laws;
- risks that the market price of the common shares of TIP Inc. (the "Common Shares") may be volatile;
- risks that substantial sales of Common Shares may cause the price of the shares to decline;

- risks that the Company may not pay dividends;
- restrictions on the ability of Trilogy LLC's subsidiaries to pay dividends;
- dilution of the Common Shares and other risks associated with equity financings;
- risks related to the influence of securities industry analyst research reports on the trading market for the Common Shares;
- new laws and regulations; and
- risks as a publicly traded company, including, but not limited to, compliance and costs associated with the U.S. Sarbanes-Oxley Act of 2002 (to the extent applicable).

This list is not exhaustive of the factors that may affect any of the Company's forward-looking statements.

The Company's forward-looking statements are based on the beliefs, expectations and opinions of management on the date the statements are made, and the Company does not assume any obligation to update forward-looking statements if circumstances or management's beliefs, expectations or opinions should change, except as required by applicable law. For the reasons set forth above, investors should not place undue reliance on forward-looking statements.

Market and Other Industry Data

This MD&A includes industry and trade association data and projections as well as information that the Company has prepared based, in part, upon data, projections and information obtained from independent trade associations, industry publications and surveys. Some data is also based on the Company's good faith estimates, which are derived from management's knowledge of the industry and independent sources. Industry publications, surveys and projections generally state that the information contained therein has been obtained from sources believed to be reliable. The Company has not independently verified any of the data from third-party sources nor has it ascertained the underlying economic assumptions relied upon therein. Statements as to the Company's market position are based on market data currently available to the Company. Its estimates involve risks and uncertainties and are subject to change based on various factors, including those discussed in TIP Inc.'s 2017 AIF under the heading "Risk Factors" and discussed herein under the heading "Cautionary Note Regarding Forward-Looking Statements". Projections and other forward-looking information obtained from independent sources are subject to the same qualifications and uncertainties as the other forward-looking statements in this MD&A.

Trademarks and Other Intellectual Property Rights

The Company has proprietary rights to trademarks used in this MD&A, which are important to its business, including, without limitation, 2degrees, NuevaTel and Viva. The Company has omitted the "®," "TM" and similar trademark designations for such trademarks but nevertheless reserves all rights to such trademarks. Each trademark, trade name or service mark of any other company appearing in this MD&A is owned by its respective holder.

About the Company

TIP Inc., together with its consolidated subsidiaries in New Zealand and Bolivia, is a provider of wireless voice and data communications including local, international long distance and roaming services, for both subscribers and international visitors roaming on its networks. The Company also provides fixed broadband communications to residential and enterprise customers in New Zealand. The Company's services cover an aggregate population of 15.6 million persons. The Company's founding executives launched operations of the Company's Bolivian subsidiary, Empresa de Telecomunicaciones NuevaTel (PCS de Bolivia), S.A. ("NuevaTel"), in 2000, when it was owned by Western Wireless Corporation ("Western Wireless"). Trilogy LLC acquired control of NuevaTel from Western Wireless in 2006, shortly after Trilogy LLC was founded. Trilogy LLC launched its greenfield operations in New Zealand, Two Degrees Mobile Limited ("2degrees"), in 2009. As of September 30, 2018, the Company had approximately 1,883 employees.

The Company's Strategy

The Company's strategy is to build, acquire and manage wireless and wireline operations in markets that are located outside the United States of America and demonstrate the potential for continuing growth. The Company believes that the wireless communications business will continue to expand in these markets because of the increasing functionality and affordability of wireless communications technologies as well as the acceleration of wireless data consumption as experienced in more developed countries. Data revenue growth continues to present a significant opportunity with each of the Company's markets in different stages of smartphone and other data-enabled device penetration. The Company's services are provided using a variety of wireless service communication technologies: Global System for Mobile Communications ("GSM" or "2G"), Universal Mobile Telecommunication Service, a GSM-based third generation mobile service for mobile communications networks ("3G"), and Long Term Evolution ("LTE"), a widely deployed fourth generation service ("4G"). Deployment of 4G in New Zealand and Bolivia enables the Company to offer its wireless subscribers in those markets a wide range of advanced services while achieving greater network capacity through improved spectral efficiency. The Company believes that 3G and 4G services will continue to be a catalyst for revenue growth from additional data services, such as mobile broadband, internet browsing capabilities, richer mobile content, video streaming and application downloads. Furthermore, in light of the fact that LTE standards are now ratified, the Company expects that in the foreseeable future 4G LTE networks will be enhanced with 4.5G and 4.9G services, which are recognized in the industry as LTE Advanced ("LTE-A") and LTE Advanced Pro ("LTE-A pro"), respectively. This evolution is expected to be accomplished mainly through commercial software releases by our network equipment manufacturers. In April 2015, the Company entered the New Zealand broadband market through the acquisition of a broadband business which allows it to provide both mobile and broadband services to subscribers via bundled products. The sale of bundled services in New Zealand facilitates better customer retention and the ability to capture a larger share of household communications revenues.

Foreign Currency

In New Zealand, the Company generates revenue and incurs costs in New Zealand dollars (“NZD”). Fluctuations in the value of the New Zealand dollar relative to the U.S. dollar can increase or decrease the Company’s overall revenue and profitability as stated in USD, which is the Company’s reporting currency. The following table sets forth for each period indicated the exchange rates in effect at the end of the period and the average exchange rates for such periods, for the NZD, expressed in USD.

	<u>September 30, 2018</u>			<u>December 31, 2017</u>			<u>% Change</u>
End of period NZD to USD exchange rate	0.66			0.71			(7%)
	<u>Three Months Ended September 30,</u>			<u>Nine Months Ended September 30,</u>			
	<u>2018</u>	<u>2017</u>	<u>% Change</u>	<u>2018</u>	<u>2017</u>	<u>% Change</u>	
Average NZD to USD exchange rate	0.67	0.73	(9%)	0.70	0.71	(2%)	

The following table sets forth for each period indicated the exchange rates in effect at the end of the period and the average exchange rates for such periods, for the Canadian dollar (“CAD” or “C\$”), expressed in USD, as quoted by the Bank of Canada.

	<u>September 30, 2018</u>			<u>December 31, 2017</u>			<u>% Change</u>
End of period CAD to USD exchange rate	0.77			0.80			(3%)
	<u>Three Months Ended September 30,</u>			<u>Nine Months Ended September 30,</u>			
	<u>2018</u>	<u>2017</u>	<u>% Change</u>	<u>2018</u>	<u>2017</u>	<u>% Change</u>	
Average CAD to USD exchange rate	0.77	0.80	(4%)	0.78	0.77	1%	

Overall Performance

The table below summarizes the Company’s key financial metrics for the three and nine months ended September 30, 2018:

(in thousands)	Three Months Ended September 30,		Nine Months Ended September 30,		% Variance	
	2018	2017	2018	2017	3 mo. vs 3 mo.	9 mo. vs 9 mo.
Postpaid wireless subscribers	764	734	764	734	4%	4%
Prepaid wireless subscribers	2,631	2,746	2,631	2,746	(4%)	(4%)
Other wireless subscribers ⁽¹⁾	59	62	59	62	(4%)	(4%)
Wireline subscribers	78	67	78	67	16%	16%
Total ending subscribers	3,532	3,608	3,532	3,608	(2%)	(2%)

(in millions, unless otherwise noted)										
Service revenues	\$	141.0	\$	153.0	\$	437.6	\$	456.6	(8%)	(4%)
Total revenues	\$	190.4	\$	191.8	\$	591.2	\$	576.4	(1%)	3%
Net loss ⁽²⁾	\$	(13.9)	\$	(5.6)	\$	(27.5)	\$	(27.7)	(149%)	1%
Consolidated Adjusted EBITDA ⁽³⁾	\$	37.4	\$	37.3	\$	107.7	\$	117.5	0%	(8%)
Consolidated Adjusted EBITDA Margin % ⁽³⁾		27%		24%		25%		26%	n/m	n/m
Capital expenditures ⁽⁴⁾	\$	20.0	\$	25.4	\$	58.3	\$	56.2	(21%)	4%

n/m - not meaningful

⁽¹⁾Includes public telephony and other wireless subscribers.

⁽²⁾There was no gain or loss from discontinued operations in the periods presented. Thus, Loss from continuing operations presented in prior MD&As has been replaced with Net loss.

⁽³⁾These are non-U.S. GAAP measures and do not have standardized meanings under U.S. GAAP. Therefore, they are unlikely to be comparable to similar measures presented by other companies. For definitions and reconciliation to most directly comparable GAAP financial measures, see “Definitions and Reconciliations of Non-GAAP Measures” in this MD&A.

⁽⁴⁾Represents purchases of property and equipment from continuing operations excluding capital expenditures acquired through vendor-backed financing and capital lease arrangements.

Reclassification of Imputed Discount on Equipment Installment Plan Receivables

Beginning with the second quarter of 2018, the amortization of imputed discount on Equipment Installment Plan (“EIP”) receivables has been reclassified from Other, net and is now included as a component of Non-subscriber international long distance and other revenues on our Condensed Consolidated Statements of Operations and Comprehensive Loss. This presentation provides a clearer representation of amounts earned from the Company’s ongoing operations and aligns with industry practice thereby enhancing comparability. We applied this reclassification to all periods presented in this MD&A. Amortization of imputed discount included within Non-subscriber international long distance and other revenues was \$0.6 million and \$0.5 million for the three months ended September 30, 2018 and 2017, respectively, and \$1.8 million and \$1.5 million for the nine months ended September 30, 2018 and 2017, respectively. This change had no impact on net loss for any period presented.

Q3 2018 Highlights

- Strong growth in New Zealand postpaid wireless subscribers which increased by 27 thousand or 7% as compared to the third quarter of 2017.
- New Zealand wireline subscribers increased by 11 thousand or 16% as compared to the third quarter of 2017, driving an 8% increase in New Zealand wireline service revenues excluding the impact of foreign currency in the third quarter of 2018 over the comparable period in 2017.
- Postpaid wireless subscribers in Bolivia increased by 3 thousand or 1% as compared to the third quarter of 2017.
- In local currency, New Zealand postpaid service revenues grew 6% in the third quarter over the comparable period in 2017 (a decline of 3% including the impact of foreign currency) offset by a decline in roamer and prepaid service revenues.
- Adjusted EBITDA in the third quarter remained flat over the prior year. Excluding the impact of foreign currency, Adjusted EBITDA increased by 5% over the third quarter of 2017. Adjusted EBITDA margin increased to 27% in the third quarter of 2018, from 24% in the third quarter of 2017, driven primarily by the increase in the postpaid subscriber base and a reduction in operating costs, including national roaming and advertising costs.

- LTE sites on air increased by 27% over the third quarter of 2017, as 96% of New Zealand and 90% of Bolivian network sites are now LTE-enabled. During the third quarter of 2018, 58 LTE sites were placed in service.

Full-Year Consolidated Guidance

The following table presents the Company's updated full-year 2018 guidance and reflects the Company's third quarter results and current expectations for the remainder of the year. For our New Zealand business, our guidance excludes the impact of foreign exchange rates in 2018. For our Bolivian business, data pricing pressure in the market has impacted Service revenues and Adjusted EBITDA.

	2018 Initial Guidance	2018 Revised Guidance
New Zealand		
Service revenues	Increase of 2% to 4% ⁽¹⁾	Increase of approximately 2% ⁽¹⁾⁽²⁾
Adjusted EBITDA	Increase of 5% to 7% ⁽¹⁾	Increase of 5% to 7% ⁽¹⁾
Bolivia		
Service revenues	Increase of 1% to 3%	Decrease of 9% to 11%
Adjusted EBITDA	Increase of 7% to 9%	Decrease of 17% to 20%

⁽¹⁾ Initial guidance assumed a foreign exchange rate for New Zealand of NZD/USD = \$0.73, based on the then spot rate, a 3% benefit as compared to fiscal year 2017 NZD/USD rate of \$0.71. As such, our initial guidance resulted in an increase of 5% to 7% for service revenues and an increase of 8% to 10% for Adjusted EBITDA. Growth in the table above has been updated to exclude the impact of foreign exchange rates and accounting changes.

⁽²⁾ Assumes a US\$4 million reduction in low margin roamer revenues, which we reported within Wireless service revenues, as compared to initial guidance.

Consolidated Capital expenditures guidance for the full year 2018 were expected to be consistent with 2017. For our revised guidance, Capital expenditures in New Zealand are expected to remain consistent with 2017 and in Bolivia are expected to decrease between 25% and 30%.

The above information represents guidance for selected full-year 2018 consolidated financial metrics. The purpose of the financial outlook is to assist investors, shareholders, and others in understanding certain financial metrics relating to expected 2018 financial results for evaluating the performance of our business.

This information may not be appropriate for other purposes. Information about our guidance, including the various assumptions underlying it, is forward-looking and should be read in conjunction with "Cautionary Note Regarding Forward-Looking Statements" above and the related disclosure and information about various economic, competitive, and regulatory assumptions, factors, and risks that may cause our actual future financial and operating results to differ from what we currently expect.

Key Performance Indicators

The Company measures success using a number of key performance indicators, which are outlined below. The Company believes these key performance indicators allow the Company to evaluate its performance appropriately against the Company's operating strategy as well as against the results of its peers and competitors. The following key performance indicators are not measurements in accordance with U.S. GAAP and should not be considered as an alternative to net income or any other measure of performance under U.S. GAAP (see definitions of these indicators in "Definitions and Reconciliations of Non-GAAP Measures – Key Industry Performance Measures – Definitions" at the end of this MD&A).

Subscriber Count

(in thousands)	As of September 30,		% Variance
	2018	2017	2018 vs 2017
New Zealand			
Postpaid wireless subscribers	418	391	7%
Prepaid wireless subscribers ⁽¹⁾	939	1,040	(10%)
Wireline subscribers	78	67	16%
New Zealand Total	1,434	1,497	(4%)
Bolivia			
Postpaid wireless subscribers	346	343	1%
Prepaid wireless subscribers	1,692	1,706	(1%)
Other wireless subscribers ⁽²⁾	59	62	(4%)
Bolivia Total	2,098	2,111	(1%)
Consolidated			
Postpaid wireless subscribers	764	734	4%
Prepaid wireless subscribers ⁽¹⁾	2,631	2,746	(4%)
Other wireless subscribers ⁽²⁾	59	62	(4%)
Wireline subscribers	78	67	16%
Consolidated Total	3,532	3,608	(2%)

Notes:

⁽¹⁾Includes approximately 37 thousand deactivations of prepaid wireless subscribers relating to the 2G network shutdown in March 2018.

⁽²⁾Includes public telephony and other wireless subscribers

The Company determines the number of subscribers to its services based on a snapshot of active subscribers at the end of a specified period. When subscribers are deactivated, either voluntarily or involuntarily for non-payment, they are considered deactivations in the period the services are discontinued. Wireless subscribers include both postpaid and prepaid services for voice-only, data-only or a combination thereof in both the Company's New Zealand and Bolivia segments, as well as public telephony and other wireless subscribers in Bolivia. Wireline subscribers comprise the subscribers associated with the Company's fixed broadband product in New Zealand.

The Company ended September 30, 2018 with 3.5 million consolidated wireless subscribers, a decline of 87 thousand wireless subscribers compared to September 30, 2017, and with 78 thousand wireline subscribers, an increase of 11 thousand wireline subscribers from September 30, 2017.

- New Zealand's wireless subscriber base decreased 5% compared to September 30, 2017, reflecting a reduction in prepaid subscribers of 10%, primarily due to the 2G shutdown in the first quarter of 2018, which deactivated a net of 37 thousand low-value 2G subscribers, partially offset by growth of 7% in postpaid subscribers; wireline subscribers as of September 30, 2018 increased 16% compared to September 30, 2017, reflecting growth in both residential and enterprise customers.
- Bolivia's wireless subscriber base declined 1% compared to September 30, 2017, reflecting a decline of 1% in prepaid subscribers, which comprises the majority of the total wireless subscriber base. Partially offsetting this decline, postpaid subscribers as of September 30, 2018 increased 1% as compared to September 30, 2017.

Consolidated Key Performance Metrics⁽¹⁾

(not rounded, unless otherwise noted)	Three Months Ended		Nine Months Ended		% Variance	
	September 30,		September 30,		3 mo. vs 3 mo.	9 mo. vs 9 mo.
	2018	2017	2018	2017		
Monthly blended wireless ARPU	\$ 11.50	\$ 12.52	\$ 11.93	\$ 12.37	(8%)	(4%)
Monthly postpaid wireless ARPU	\$ 28.62	\$ 30.95	\$ 29.37	\$ 30.47	(8%)	(4%)
Monthly prepaid wireless ARPU	\$ 6.56	\$ 7.28	\$ 6.81	\$ 7.29	(10%)	(7%)
Cost of acquisition	\$ 56.33	\$ 66.36	\$ 48.86	\$ 63.65	(15%)	(23%)
Equipment subsidy per gross addition	\$ 9.89	\$ 11.62	\$ 7.52	\$ 10.84	(15%)	(31%)
Blended wireless churn	6.84%	4.96%	6.31%	4.94%	n/m	n/m
Postpaid wireless churn	1.48%	1.63%	1.65%	1.62%	n/m	n/m
Capital expenditures (in millions) ⁽²⁾	\$ 20.0	\$ 25.4	\$ 58.3	\$ 56.2	(21%)	4%
Capital intensity	14%	17%	13%	12%	n/m	n/m

n/m - not meaningful

⁽¹⁾For definitions, see “Definitions and Reconciliations of Non-GAAP Measures - Key Industry Performance Measures-Definitions” in this MD&A.

⁽²⁾Represents purchases of property and equipment from continuing operations excluding capital expenditures acquired through vendor-backed financing and capital lease arrangements.

Monthly Blended Wireless ARPU – average monthly revenue per wireless user

Monthly blended wireless ARPU decreased by 8% and 4% for the three and nine months ended September 30, 2018, respectively, compared to the same periods in 2017. For the three months ended September 30, 2018, monthly blended wireless ARPU declined in both New Zealand and Bolivia. For the nine months ended September 30, 2018, monthly blended wireless ARPU in New Zealand was flat while there was a decline in Bolivia.

In New Zealand, the impact of the foreign currency exchange rate was the main factor for the changes in the periods presented. Excluding the impact of foreign currency in New Zealand, consolidated monthly blended wireless ARPU would have decreased 4% and 2% for the three and nine months ended September 30, 2018, respectively, compared to the same period in 2017 as compared to actual decreases of 8% and 4%, respectively. New Zealand blended wireless ARPU would have increased 4% and 3% for the three and nine months ended September 30, 2018, respectively, compared to the same period in 2017, excluding the impact of the foreign currency. These increases were mainly due to the growth in the postpaid subscriber base and an increase in LTE adoption by subscribers, which were offset by a decline in prepaid and roaming revenue per average subscriber.

In Bolivia, the overall decrease in blended wireless ARPU for the three and nine months ended September 30, 2018 compared to the same periods in 2017 was primarily due to increased promotional activity in Bolivia in 2018 which decreased the price per unit of data. This pricing decrease was partially offset by an increase in mobile data usage per subscriber.

Cost of Acquisition

The Company’s cost of acquisition for its segments is largely driven by increases or decreases in equipment subsidies, as well as fluctuations in its sales and marketing expenses, which are components of supporting the subscriber base; the Company measures its efficiencies based on a per gross add or acquisition basis.

Cost of acquisition decreased 15% and 23% for the three and nine months ended September 30, 2018, respectively, compared to the same periods in 2017. These decreases were mainly attributable to decreases in Bolivia, primarily in sales and marketing expense per gross addition as a result of a decrease in the expense related to the accrual for customer loyalty program.

Equipment Subsidy per Gross Addition

Equipment subsidies, a component of the Company’s cost of acquisition, have centered on an increasing demand for, and promotion of, smartphone devices. In Bolivia, a comparatively new entrant into smartphone-centric usage, equipment subsidies are used to encourage smartphone-device usage. The grey market category, a source of unsubsidized devices, continues to represent the principal smartphone market in Bolivia. In New Zealand, growth in the wireline subscriber base has resulted in an increase in wireline equipment costs. The Company also periodically offers equipment subsidies on certain plans and higher-end wireless devices; however, there has been less of a focus on handset subsidies since the launch of the EIP in the third quarter of 2014.

For the three and nine months ended September 30, 2018, the equipment subsidy per gross addition decreased by 15% and 31% compared to the same periods in 2017, respectively. These decreases were driven primarily by a decrease in handset subsidies in Bolivia.

Blended Wireless Churn

Generally, prepaid churn rates are higher than postpaid churn rates. Prepaid churn rates have increased in New Zealand and Bolivia during times of intensive promotional activity as well as periods associated with high-volume consumer shopping, such as major events and holidays. There is generally less seasonality with postpaid churn rates, as postpaid churn is mostly a result of service contract expirations, equipment purchased on an installment payment basis being fully paid off, and new device or service launches.

Both New Zealand and Bolivia evaluate their subscriber bases periodically to assess activity in accordance with their subscriber service agreements, and customers who are unable to pay within established standards are terminated; their terminations are recorded as involuntary churn.

Blended wireless churn increased by 188 basis points and 137 basis points for the three and nine months ended September 30, 2018, respectively, compared to the same periods in 2017, primarily due to increased churn in Bolivia. The increase in churn in Bolivia was primarily due to prepaid promotional activity in 2018.

Capital Expenditures

Capital expenditures include costs associated with acquiring property and equipment and placing them into service. The Company's industry requires significant and on-going investments, including investment in new technologies and the expansion of capacity and geographical reach. Capital expenditures have a material impact on the Company's cash flows; therefore, planning, funding and managing them is a key focus.

Capital expenditures represent purchases of property and equipment excluding capital expenditures acquired through vendor-backed financing and capital lease arrangements. Expenditures related to the acquisition of the Company's spectrum licenses, if any, are not included in the Company's capital expenditures amounts. The Company believes this measure best reflects its cost of capital expenditures in a given period and is a simpler measure for comparing between periods.

For the three and nine months ended September 30, 2018, compared to the same periods in 2017, the capital intensity percentage decreased two percentage points and increased one percentage point, respectively, representing a decrease of \$5 million and an increase of \$2 million in capital expenditures, respectively, due to the timing of network expansion projects to reduce roaming costs, continued LTE network overlay and software development enhancements.

Results of Operations

Consolidated Revenues

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,		% Variance	
	2018	2017	2018	2017	3 mo. vs 3 mo.	9 mo. vs 9 mo.
Revenues:						
Wireless service revenues	\$ 122.8	\$ 133.2	\$ 379.7	\$ 400.8	(8%)	(5%)
Wireline service revenues	15.0	15.1	46.0	42.8	(1%)	8%
Equipment sales	49.4	38.8	153.7	119.9	27%	28%
Non-subscriber ILD and other revenues	3.3	4.7	11.8	13.0	(30%)	(9%)
Total revenues	\$ 190.4	\$ 191.8	\$ 591.2	\$ 576.4	(1%)	3%

Consolidated Wireless Service Revenues

Wireless service revenues decreased \$10.4 million and \$21.1 million for the three and nine months ended September 30, 2018, respectively, compared to the same periods in 2017. Excluding the impact of foreign currency, wireless service revenues decreased \$4.5 million and \$16.3 million for the three and nine months ended September 30, 2018, respectively, compared to the same periods in 2017, primarily due to decreases in prepaid revenues in Bolivia attributable to declines in data revenues as a result of promotional offers which increased the value of the offerings provided. Excluding the impact of foreign currency, consolidated data revenues decreased \$1.8 million and \$3.4 million for the three and nine months ended September 30, 2018, compared to the same periods in 2017, as increases in New Zealand were more than offset by the declines in Bolivia. Excluding the impact of foreign currency, wireless service revenues were flat in New Zealand for the three and nine months ended September 30, 2018, compared to the same periods in 2017.

Consolidated Wireline Service Revenues

Wireline service revenues were flat and increased \$3.3 million for the three and nine months ended September 30, 2018, respectively, compared to the same periods in 2017. Excluding the impact of foreign currency, wireline service revenues increased \$1.2 million and \$4.3 million, respectively, compared to the same periods in 2017, primarily due to the 16% growth in the wireline subscriber base in New Zealand.

Consolidated Equipment Sales

Equipment sales increased \$10.6 million and \$33.8 million for the three and nine months ended September 30, 2018, respectively, compared to the same periods in 2017, due to a shift in product mix toward higher end devices coupled with an increase in the volume of sales over the same periods in the prior year in New Zealand. 2degrees also offered new plan options and promotions during 2018.

Consolidated Non-subscriber International Long Distance (“ILD”) and Other Revenues

Non-subscriber ILD and other revenues decreased \$1.4 million and \$1.2 million for the three and nine months ended September 30, 2018, respectively, compared to the same periods in 2017. These changes resulted from individually insignificant items.

Consolidated Operating Expenses

Operating expenses represent expenditures incurred by the Company’s operations and its corporate headquarters.

(in millions)	Three Months Ended		Nine Months Ended		% Variance	
	September 30,		September 30,		3 mo. vs 3 mo.	9 mo. vs 9 mo.
	2018	2017	2018	2017		
Operating expenses:						
Cost of service, exclusive of depreciation, amortization and accretion shown separately	\$ 48.0	\$ 54.8	\$ 153.6	\$ 162.8	(12%)	(6%)
Cost of equipment sales	54.5	44.8	167.5	136.0	22%	23%
Sales and marketing	23.9	28.3	76.0	78.2	(15%)	(3%)
General and administrative	28.6	30.0	94.7	88.5	(5%)	7%
Depreciation, amortization and accretion	28.2	26.0	84.9	79.8	8%	6%
Loss on disposal and abandonment of assets	1.0	0.3	1.0	0.6	224%	69%
Total operating expenses	<u>\$ 184.2</u>	<u>\$ 184.1</u>	<u>\$ 577.6</u>	<u>\$ 545.9</u>	0%	6%

Consolidated Cost of Service

Cost of service expense decreased \$6.8 million and \$9.2 million for the three and nine months ended September 30, 2018, respectively, compared to the same periods in 2017, due to declines in both New Zealand and Bolivia. In New Zealand, the declines were mainly attributable to declines in non-subscriber interconnection costs associated with a decline in the volume of traffic terminating on other carriers’ network. In Bolivia, the declines were driven by decreases in interconnection costs due to a lower volume of voice and Short Message Service (“SMS”) traffic terminating outside of NuevaTel’s network. There were also declines associated with the strengthening of the U.S. dollar as compared to the New Zealand dollar and declines in national roaming costs in New Zealand attributable to 2degrees’ investment in increasing the coverage of its network.

Consolidated Cost of Equipment Sales

Cost of equipment sales increased \$9.7 million and \$31.5 million for the three and nine months ended September 30, 2018, respectively, compared to the same periods in 2017, primarily due to a product mix shift toward higher end devices over the same periods in the prior year in New Zealand, as 2degrees has offered new plan options and promotions during the year which resulted in customer adoption of higher end devices.

Consolidated Sales and Marketing

Sales and marketing decreased \$4.4 million and \$2.2 million for the three and nine months ended September 30, 2018, respectively, compared to the same periods in 2017. The decline for the three months ended September 30, 2018 was primarily due to the strengthening of the U.S. dollar as compared to the New Zealand dollar and decreases in advertising and promotion costs in both New Zealand and Bolivia. The decline for the nine months ended September 30, 2018 was due to a decline in Bolivia that more than offset the increase in New Zealand. In Bolivia, the decline was related mainly to the accrual for its customer loyalty program which ended in the third quarter of 2018. The net impact of the change of this accrual to reverse expenses that were previously recognized but not incurred through completion of the program was \$2.2 million for the nine months ended September 30, 2018. In New Zealand, for the nine months ended September 30, 2018, there was an increase due to higher advertising and promotion costs compared to the same period in 2017.

Consolidated General and Administrative

General and administrative costs decreased \$1.4 million and increased \$6.1 million for the three and nine months ended September 30, 2018, respectively, compared to the same periods in 2017. The decline for the three months ended September 30, 2018 was primarily due to the strengthening of the U.S. dollar as compared to the New Zealand dollar. The increase for the nine months ended September 30, 2018 was driven by increases in New Zealand of \$1.4 million attributable to bad debt expense, approximately \$1.4 million of additional equity-based compensation expense, and an increase in the loss on sales of EIP receivables of approximately \$1.2 million. General and administrative costs also increased due to costs incurred related to the implementation of the new revenue recognition standard of approximately \$0.5 million and \$1.8 million for the three and nine months ended September 30, 2018, respectively.

Consolidated Depreciation, Amortization and Accretion

Depreciation, amortization and accretion increased \$2.2 million and \$5.1 million for the three and nine months ended September 30, 2018, respectively, compared to the same periods in 2017, due to current and prior expenditures for network expansion projects to reduce roaming costs, continued LTE network overlay and software development enhancements.

Consolidated Other Expenses (Income)

(in millions)	Three Months Ended		Nine Months Ended		% Variance	
	September 30,		September 30,		3 mo. vs 3 mo.	9 mo. vs 9 mo.
	2018	2017	2018	2017		
Interest expense	\$ 11.1	\$ 11.2	\$ 33.7	\$ 48.7	(1%)	(31%)
Change in fair value of warrant liability	(0.9)	-	(6.1)	(3.5)	n/m	(74%)
Debt modification and extinguishment costs	4.2	-	4.2	6.7	100%	(37%)
Other, net	4.9	(0.5)	4.3	(0.8)	n/m	616%

Consolidated Interest Expense

Interest expense decreased \$0.1 million and \$15.0 million for the three and nine months ended September 30, 2018, respectively, compared to the same periods in 2017, primarily due to the refinancing and repayment of the 13.375% Trilogy LLC senior secured notes due 2019 (the “Trilogy 2019 Notes”) in the aggregate principal amount of \$450 million. In May 2017, Trilogy LLC issued 8.875% senior secured notes due 2022 (the “Trilogy 2022 Notes”) in the aggregate principal amount of \$350 million and used the proceeds thereof, together with cash on hand, to repay the Trilogy 2019 Notes. This refinancing and repayment had the effect of reducing annualized interest costs at Trilogy LLC from approximately \$60 million to approximately \$31 million.

Consolidated Change in Fair Value of Warrant Liability

As of February 7, 2017 in connection with the completion of the Arrangement, TIP Inc.’s issued and outstanding warrants were classified as a liability, as the warrants are written options that are not indexed to Common Shares. The warrant liability is marked-to-market each reporting period with the changes in fair value recorded as a gain or loss in the Condensed Consolidated Statement of Operations. The change in fair value of the warrant liability was due to changes in the trading price of warrants. For the three and nine months ended September 30, 2018, the non-cash gain increased \$1.0 million and \$2.6 million, respectively, compared to the same periods in 2017.

Consolidated Debt Modification and Extinguishment Costs

Debt modification costs increased \$4.2 million and decreased \$2.5 million for the three and nine months ended September 30, 2018, respectively, compared to the same periods in 2017. The increase for the three months ended September 30, 2018 was due to the refinancing of the 2degrees’ existing senior debt facility during the period. In July 2018, 2degrees entered into a new debt agreement (“New Zealand 2021 Senior Facilities Agreement”) and approximately \$3.7 million of fees paid to lenders and third parties in connection with the refinancing were expensed. Additionally, approximately \$0.5 million of unamortized deferred financing costs were expensed during the third quarter of 2018 as a result of the refinancing. The decrease for the nine months ended September 30, 2018 as compared to the same period in 2017 was due to the costs in 2017 associated with the refinancing of the Trilogy 2019 Notes exceeding the costs in 2018 associated with the refinancing of the 2degrees’ senior debt facility.

Consolidated Other, Net

Other, net expense increased \$5.4 million and \$5.2 million for the three and nine months ended September 30, 2018, respectively, compared to the same periods in 2017. These increases were primarily driven by a \$4.5 million fine in Bolivia accrued in September 2018 related to a network outage that occurred in 2015. NuevaTel intends to appeal this ruling. For additional information, see Note 13 – Commitments and Contingences to the Company’s Condensed Consolidated Financial Statements.

Consolidated Income Taxes

(in millions)	Three Months Ended		Nine Months Ended		% Variance	
	September 30,		September 30,		3 mo. vs 3 mo.	9 mo. vs 9 mo.
	2018	2017	2018	2017		
Income tax expense	\$ 0.9	\$ 2.6	\$ 4.9	\$ 7.1	(65%)	(31%)

Income Tax Expense

Income tax expense declined \$1.7 million and \$2.2 million for the three and nine months ended September 30, 2018, respectively, compared to the same periods in 2017, primarily due to lower pre-tax earnings in Bolivia.

Business Segment Analysis

The Company’s two reporting segments (New Zealand (2degrees) and Bolivia (NuevaTel)) provide a variety of wireless voice and data communications services, including local, international long distance and roaming services for both subscribers and international visitors roaming on the Company’s networks. Services are provided to subscribers on both a postpaid and prepaid basis. In Bolivia, fixed public telephony services are also offered via wireless backhaul connections, as well as in-home use based on WiMAX technology. In New Zealand, fixed-broadband services, or wireline services, have been offered since May 2015.

The Company's networks support several digital technologies: GSM, 3G, 4G LTE and WiMAX. In Bolivia, the Company launched 4G LTE services in May 2015 and the Company had 1,095 4G LTE sites on-air as of September 30, 2018, an increase of 57 4G LTE sites during the third quarter of 2018. In New Zealand, the Company launched 4G LTE services in 2014 and the Company had 1,040 4G LTE sites on-air as of September 30, 2018.

	2degrees	NuevaTel
Trilogy LLC Ownership Percentage as of September 30, 2018	73.3%	71.5%
Launch Date	August 2009	November 2000
Population (in millions)⁽¹⁾	4.5	11.1
Wireless Penetration⁽²⁾	144%	83%
Company Wireless Subscribers (in thousands) as of September 30, 2018	1,356	2,098
Company Market Share of Wireless Subscribers⁽²⁾	23%	22%

Notes:

⁽¹⁾Source: The U.S. Central Intelligence Agency's World Factbook as of July 2017.

⁽²⁾Source: Management estimate based on most currently available information.

Following its launch in 2009 as New Zealand's third wireless entrant, 2degrees quickly gained market share. Management estimates that 2degrees has a 23% market share of wireless subscribers in New Zealand based on the most currently available information. The Company believes there is continued opportunity for significant growth in the estimated \$5 billion NZD New Zealand telecommunications market where we estimate 2degrees has approximately a 13% share of the revenue.

The Bolivian market also consists of three mobile operators. The Company's Bolivian operation has matured into a stable generator of revenue and cash flow since its launch in 2000, with a 22% estimated market share of wireless subscribers based on the most currently available information. The cash flow generated from its operations has been used to fund its ongoing 4G LTE network expansion as well as to pay dividends to shareholders. Bolivia has very low smartphone and broadband penetration compared to other Latin American markets, thus creating opportunity for continued growth in data revenues. Furthermore, the Company believes that smartphone price decreases and the introduction of other mobile data-capable devices along with additional content will accelerate the data adoption and smartphone penetration rate and data usage in Bolivia.

New Zealand (2degrees)

2degrees launched commercial service in 2009. As of September 30, 2018, Company-controlled entities owned 73.3% of 2degrees with the remaining interests (26.7%) owned by Tesbrit B.V., a Dutch investment company.

Overview

Prior to 2degrees' entry, the New Zealand wireless communications market was a duopoly, and the incumbent operators, Vodafone and Telecom New Zealand (now Spark New Zealand), were able to set relatively high prices, which resulted in low wireless usage by consumers. Additionally, mobile revenue in New Zealand in 2009 was only 31% of total New Zealand telecommunications industry revenue, compared to 42% for the rest of Organization for Economic Cooperation and Development ("OECD") countries. These two factors led the Company to believe this market presented a significant opportunity for a third competitor to enter the market successfully.

Consequently, 2degrees launched in the New Zealand wireless market in 2009 through innovative pricing, a customer-centric focus, and differentiated brand positioning. 2degrees introduced a novel, low-cost, prepaid mobile product that cut the incumbents' prices of prepaid voice calls and text messages in half and rapidly gained market share. Since then, 2degrees has reinforced its reputation as the challenger brand by combining low-cost alternatives with excellent customer service. Management estimates 2degrees' market share of wireless subscribers to be approximately 23% based on most currently available information.

Additionally, 2degrees provides fixed broadband communications services to residential and enterprise customers.

Services; Distribution; Network; 2degrees Spectrum Holdings

For a discussion of these topics, please refer to TIP Inc.'s MD&A for the year ended December 31, 2017.

Governmental Regulation

New Zealand has a Minister of Broadcasting, Communications and Digital Media, supported by the Ministry of Business Innovation and Employment ("MBIE"), which advises on policy for telecommunications and spectrum issues. Following a general election in October 2017, the New Zealand Labour, New Zealand First and Green parties formed a new coalition government. The current Minister of Broadcasting, Communications and Digital Media is a New Zealand Labour MP, appointed to this position in September 2018. The New Zealand Labour party has signaled particular interest in digital content, digital inclusion, regional and broadcasting issues. The government has established a Digital Economy and Digital Inclusion Ministerial Advisory Group to advise the government on how it can best meet its objectives to grow the digital economy, reduce digital divides and benefit from new digital technologies.

The MBIE also administers the allocation of radio frequency licenses. 2degrees offers service pursuant to licenses in the 700 MHz band, the 900 MHz band, the 1800 MHz band and the 2100 MHz band. 2degrees' 900 MHz and 700 MHz spectrum licenses expire in, or can be extended to, 2031; the 2degrees 1800 MHz and 2100 MHz spectrum licenses expire in 2021. The MBIE is due to offer renewals for 1800 MHz and 2100 MHz licenses to 2degrees and its wireless competitors in the near future; however, the MBIE has indicated that it may not offer renewals for all of this spectrum, and instead may hold a portion of the spectrum for re-allocation in the future. The MBIE is also preparing for the introduction of 5G services in New Zealand, including consideration of 5G spectrum allocations and timing. In line with international developments, the 3.5 GHz band is likely to be allocated as the first key 5G band. The MBIE is currently considering technical issues related to such an allocation. The MBIE is also considering other potential 5G bands, including 600 MHz, 1400 MHz, 2300 MHz spectrum and mmWave spectrum (above 20 GHz).

The politically independent Commerce Commission of New Zealand (the "Commerce Commission") is responsible for implementation of New Zealand's Telecommunications Act 2001. The Commerce Commission includes a Telecommunications Commissioner, who oversees a team that monitors the telecommunications marketplace and identifies telecommunications services that warrant regulation. Recommendations are made to the Minister. For services that are regulated, the Commerce Commission is authorized to set price and/or non-price terms for services and to establish enforcement arrangements applicable to regulated services. The Commerce Commission's responsibilities include wholesale regulation of the fixed line access services that 2degrees offers, including unbundled bitstream access. The Commerce Commission is currently conducting a study of the mobile market under its monitoring powers and has solicited public comment on this study. The purpose of this review is to develop a common understanding of the competitive landscape and any future competition issues. It considers both evolving consumer preferences and technological shifts, including implications of fixed-mobile convergence and 5G for infrastructure sharing and wholesale access regulation. The Commerce Commission is expected to provide an update on its initial findings by year-end 2018. The Commerce Commission is also carrying out a study on domestic backhaul services.

The New Zealand government completed a review of the Telecommunications Act 2001 and issued policy recommendations in June 2017. Draft legislation is currently being considered by parliament, with enactment expected in the near future. This draft legislation sets out a new regulatory framework for fiber services, which 2degrees uses for the provision of both fixed broadband and mobile communications services to its customers. The legislation proposes taking a regulated 'utility style' building blocks approach post-2020, representing a shift from the current Total Service Long Run Increment Cost ("TSLRIC") pricing approach applied to copper services. Copper services will be deregulated in areas where fiber services are available. Access to fiber unbundling will be required, but is not proposed to be price-regulated. Telecommunications monitoring will be expanded to provide a greater emphasis on service quality rather than the current price and coverage focus. The government has not yet determined how to fund such monitoring activities.

No major changes to the regulation of mobile-specific services have been proposed, but various Telecommunications Act 2001 processes will be streamlined, shortening the time for implementation of future regulations, which could include rules governing the mobile sector.

The New Zealand government has taken an active role in funding fiber (the Ultra-Fast Broadband Initiative) and wireless infrastructure (the Rural Broadband Initiative) ("RBI") to enhance citizens' access to higher speed broadband services. The Ultra-Fast Broadband Initiative has been extended over time and is now expected to reach 87% of the population by December 2022. In addition, the government announced an extension of the RBI and a Mobile Black Spots Fund, allocating \$150 million NZD for these purposes. In April 2017, 2degrees submitted a bid with the other national mobile providers, Vodafone and Spark, to form a joint venture that would deliver a shared wireless broadband/mobile solution in rural areas identified by the government. In August 2017, the New Zealand government signed an agreement with the joint venture to fund a portion of the country's rural broadband infrastructure project (the "RBI2 Agreement"). Under the RBI2 Agreement, 2degrees has committed to invest \$20 million NZD over several years in accordance with payment milestones agreed upon between the parties to the agreement. 2degrees will also contribute to the operating costs of the RBI network.

In the past, New Zealand's government has supported competition in the telecommunications market. In February 2017, the Commerce Commission rejected a proposed merger between Vodafone, one of 2degrees' competitors, and Sky Network Television, a satellite pay television provider, on grounds that the transaction would lessen competition. The government also has previously imposed limits on the quantity of spectrum that any one party and its associates can hold in specific frequency bands, and has permitted purchasers of spectrum rights to satisfy their purchase payment obligations over time (both of which assisted 2degrees' ability to acquire spectrum rights); however, the government does not have a clear policy to continue these practices.

New Zealand - Operating Results

(in millions, unless otherwise noted)	Three Months Ended September 30,		Nine Months Ended September 30,		% Variance	
	2018	2017	2018	2017	3 mo. vs. 3 mo.	9 mo. vs. 9 mo.
Service revenues	\$ 81.2	\$ 88.2	\$ 256.9	\$ 260.2	(8%)	(1%)
Total revenues	\$ 129.6	\$ 125.8	\$ 408.2	\$ 376.9	3%	8%
Data as a % of wireless service revenues ⁽¹⁾	68%	64%	67%	63%	n/m	n/m
New Zealand Adjusted EBITDA	\$ 23.8	\$ 20.9	\$ 64.6	\$ 64.4	14%	0%
New Zealand Adjusted EBITDA Margin % ⁽²⁾	29%	24%	25%	25%	n/m	n/m
Postpaid Subscribers (in thousands)						
Net additions	9	11	22	18	(15%)	18%
Total postpaid subscribers	418	391	418	391	7%	7%
Prepaid Subscribers (in thousands)						
Net additions (losses)	(45)	-	(86) ⁽³⁾	(27)	n/m	(221%)
Total prepaid subscribers	939	1,040	939	1,040	(10%)	(10%)
Total wireless subscribers (in thousands)	1,356	1,430	1,356	1,430	(5%)	(5%)
Wireline Subscribers (in thousands)						
Net additions	3.2	2.8	9.3	11.5	11%	(19%)
Total wireline subscribers	78	67	78	67	16%	16%
Total ending subscribers (in thousands)	1,434	1,497	1,434	1,497	(4%)	(4%)
Blended wireless churn	3.50%	3.22%	3.20% ⁽³⁾	3.16%	n/m	n/m
Postpaid churn	1.40%	1.72%	1.59%	1.56%	n/m	n/m
Monthly blended wireless ARPU (not rounded)	\$ 15.44	\$ 16.19	\$ 16.10	\$ 16.02	(5%)	0%
Monthly postpaid wireless ARPU (not rounded)	\$ 33.84	\$ 37.39	\$ 35.13	\$ 36.73	(9%)	(4%)
Monthly prepaid wireless ARPU (not rounded)	\$ 7.44	\$ 7.64	\$ 7.78 ⁽³⁾	\$ 7.81	(3%)	(0%)
Capital expenditures ⁽⁴⁾	\$ 9.9	\$ 16.9	\$ 35.9	\$ 37.9	(41%)	(5%)
Capital intensity	12%	19%	14%	15%	n/m	n/m

n/m - not meaningful

Notes:

- (1) Definition of data revenues has been updated to exclude revenues related to SMS usage. See "Definitions and Reconciliations of Non-GAAP Measures- Key Industry Performance Measures-Definitions" in this MD&A.
- (2) New Zealand Adjusted EBITDA Margin is calculated as New Zealand Adjusted EBITDA divided by New Zealand Service revenues.
- (3) Includes approximately 37 thousand deactivations of prepaid wireless subscribers in the nine months ended September 30, 2018 relating to the 2G network shutdown that occurred during the three months ended March 31, 2018. Exclusive of these deactivations resulting from the 2G network shutdown, prepaid net losses would have been 50 thousand, blended wireless churn would have been 2.87% and monthly prepaid wireless ARPU would have been \$7.64 for the nine months ended September 30, 2018.
- (4) Represents purchases of property and equipment excluding capital expenditures acquired through vendor-backed financing and capital lease arrangements.

Three and Nine Months Ended September 30, 2018 Compared to Same Periods in 2017

Service revenues declined \$7.0 million and \$3.3 million for the three and nine months ended September 30, 2018, respectively, compared to the same periods in 2017. Excluding the impact of foreign currency, service revenues increased \$0.5 million and \$2.7 million, respectively, compared to the same periods in 2017. These increases were due to higher postpaid wireless and wireline service revenues driven by the larger postpaid and wireline subscriber bases. Excluding the impact of foreign currency, postpaid wireless service revenues increased \$2.4 million and \$5.5 million for the three and nine months ended September 30, 2018, respectively, compared to the same periods in 2017, and wireline service revenues increased \$1.2 million and \$4.3 million for the three and nine months ended September 30, 2018, respectively, compared to the same periods in 2017. These increases were partially offset by declines in prepaid revenues driven by 2degrees enhancing the value of service offerings in response to competitive changes. Additionally, there was a decline in roamer revenues due to a decline in the volume of other operators' subscribers' traffic on our network along with the shutdown of our 2G network in the first quarter of 2018.

Total revenues increased \$3.8 million and \$31.3 million for the three and nine months ended September 30, 2018, respectively, compared to the same periods in 2017, primarily due to an increase in equipment sales. Equipment sales increased \$10.8 million and \$34.5 million for the three and nine months ended September 30, 2018, respectively, compared to the same periods in 2017. These increases were primarily due to increased sales of higher-end devices coupled with an increase in the volume of sales over the same periods in the prior year. Under the EIP, 2degrees now offers the option to pay for handsets in installments over a period of up to 36 months in addition to 24 months.

For the three and nine months ended September 30, 2018, compared to the same periods in the prior year, operating expenses increased \$3.7 million and \$38.5 million, respectively, primarily due to the following:

- Cost of service declined \$5.8 million and \$6.3 million for the three and nine months ended September 30, 2018, respectively, compared to the same periods in 2017, primarily due to a decline in non-subscriber interconnection costs associated with the decline in roamer traffic and non-subscriber ILD traffic. The decrease in cost of service was also due to a decrease attributable to the strengthening of the U.S. dollar as compared to the New Zealand dollar of \$2.7 million and \$2.2 million for the three and nine months ended September 30, 2018, respectively, compared to the same periods in 2017. Additionally, for the three and nine months ended September 30, 2018, respectively, compared to the same periods in 2017, there were declines in national roaming costs attributable to 2degrees' investment in increasing the coverage of its network. These declines were partially offset by transmission expense increases associated with the growth of the wireline subscriber base;
- Cost of equipment sales increased \$10.7 million and \$33.0 million for the three and nine months ended September 30, 2018, respectively, compared to the same periods in 2017, primarily due to the aforementioned shift in product mix toward high-end devices and increased sales volume;
- Sales and marketing declined \$2.5 million and increased \$2.1 million for the three and nine months ended September 30, 2018, respectively, compared to the same periods in 2017. The decrease in sales and marketing expenses for the three months ended September 30, 2018, compared to the same period in 2017, was primarily due to the strengthening of the U.S. dollar as compared to the New Zealand dollar. Additionally, there was a decrease in advertising and promotions costs of \$1.4 million attributable to efforts to stimulate subscriber growth and retention through new plans and promotions launched in 2017, coupled with the timing of handset model release dates. The increase in sales and marketing expenses for the nine months ended September 30, 2018, compared to the same period in 2017, was primarily due to an increase in advertising and promotions costs of \$1.6 million related to 2degrees' sponsorship of several rugby teams in 2018, partially offset by the strengthening of the U.S. dollar as compared to the New Zealand dollar;
- General and administrative declined \$1.5 million and increased \$3.8 million for the three and nine months ended September 30, 2018, respectively, compared to the same periods in 2017. The decrease for the three months ended September 30, 2018, compared to the same period in 2017, was primarily due to the strengthening of the U.S. dollar as compared to the New Zealand dollar and partially due to a reduction in bad debt expense associated with our IT transition in 2017. The increase for the nine months ended September 30, 2018, compared to the same period in 2017, was driven by an increase in bad debt expense, equity-based compensation, and loss on sale of EIP receivables. Bad debt expense increased \$1.4 million and was mostly attributable to the wireline business and an increase in the EIP allowance for doubtful accounts. The \$1.4 million increase in equity-based compensation expense was primarily driven by the extension of the expiration date of certain service-based share options and the new share options issued in 2018. Loss on sale of EIP receivables increased \$1.2 million driven by an increase in sale of receivables during 2018. General and administrative costs also increased \$1.1 million related to costs for the implementation of the new revenue recognition standard; and

- Depreciation, amortization, and accretion increased \$2.1 million and \$5.3 million for the three and nine months ended September 30, 2018, respectively, compared to the same periods in 2017, due to current and prior investment in the LTE network overlay and software development enhancements.

New Zealand Adjusted EBITDA increased by \$2.8 million and \$0.2 million for the three and nine months ended September 30, 2018, respectively, compared to the same periods in 2017. Excluding the impact of foreign currency, there was an increase of \$4.6 million and \$1.6 million for the three and nine months ended September 30, 2018, respectively, compared to the same periods in 2017. These increases in Adjusted EBITDA were primarily the result of increases in postpaid and wireline service revenues more than offsetting declines in prepaid revenues.

Capital expenditures decreased \$6.9 million and \$2.0 million for the three and nine months ended September 30, 2018, respectively, compared to the same periods in 2017. These decreases were primarily due to the timing of capital expenditures towards network expansion projects to reduce roaming costs, continued LTE network overlay and software development enhancements.

Subscriber Count

2degrees' wireless subscriber base decreased 5%, compared to September 30, 2017, driven by a decrease in prepaid subscribers. This decline was primarily due to the 2G shutdown in the first quarter of 2018, which deactivated 37 thousand low-value 2G subscribers, partially offset by the continued growth in postpaid wireless subscribers. As of September 30, 2018, postpaid wireless subscribers comprised approximately 31% of the total wireless subscriber base, an increase of three percentage points from September 30, 2017. Postpaid wireless subscriber growth of 7% was primarily driven by promotional offers coupled with sequential improvements in postpaid churn. As of September 30, 2018, 2degrees' wireline subscriber base increased 16% compared to the third quarter of 2017. Wireline subscriber growth was mainly due to more competitive offers that were well received in the market.

Blended Wireless ARPU

2degrees' blended wireless ARPU is generally driven by the mix of postpaid and prepaid subscribers, foreign currency exchange rate fluctuations, the amount of data consumed by the subscriber, and the mix of service plans and bundles.

Blended wireless ARPU decreased 5% and was flat for the three and nine months ended September 30, 2018, respectively, compared to the same periods in 2017. Excluding the impact of foreign currency, blended wireless ARPU increased 4% and 3% for the three and nine months ended September 30, 2018, respectively, compared to the same periods in 2017. These increases were primarily due to the higher proportion of postpaid wireless subscribers, partially offset by a decline in roaming revenue per average subscriber. Additionally, blended wireless ARPU related to data revenues increased 1% and 6% for the three and nine months ended September 30, 2018, respectively, compared to the same periods in 2017, or 11% and 9% excluding foreign currency impact.

New Zealand Business Outlook, Competitive Landscape and Industry Trend

The New Zealand Business Outlook, Competitive Landscape and Industry Trend are described in TIP Inc.'s MD&A for the year ended December 31, 2017.

Bolivia (NuevaTel)

The Trilogy LLC founders launched NuevaTel in 2000 while they served in senior management roles with Western Wireless. Trilogy LLC subsequently acquired a majority interest in the business in 2006 and currently owns 71.5% of NuevaTel, with the remaining 28.5% owned by Comteco, a large cooperatively owned fixed line telephone provider in Bolivia.

Overview

NuevaTel, which operates under the brand name "Viva" in Bolivia, provides wireless, long distance, public telephony and wireless broadband communication services. It provides competitively priced and technologically advanced service offerings and high quality subscriber care. NuevaTel focuses its customer targeting efforts on millennials and differentiates itself through simplicity, transparency and a strong national brand. As of September 30, 2018, NuevaTel had approximately 2.1 million wireless subscribers representing an estimated 22% subscriber market share.

For a discussion of these topics, please refer to TIP Inc.'s MD&A for the year ended December 31, 2017.

Governmental Regulation

NuevaTel operates two spectrum licenses in the 1900 MHz band; the first license expires in November 2019, and the second license expires in 2028. Additionally, NuevaTel provides 4G LTE services in the 1700 / 2100 MHz bands with a license term expiring in 2029. NuevaTel also provides fixed broadband services using WiMAX and fixed LTE technologies through spectrum licenses in the 3500 MHz band with minimum terms ranging from 2024 to 2027. The long distance and public telephony licenses held by NuevaTel are valid until June 2042 and February 2043, respectively. The long distance license and the public telephony license are free and are granted upon request.

The Bolivian telecommunications law ("Bolivian Telecommunications Law"), enacted on August 8, 2011, requires telecommunications operators to pay recurring fees for the use of certain spectrum (such as microwave links), and a regulatory fee of 1% and a universal service tax of up to 2% of gross revenues. The law also authorizes the Autoridad de Regulación y Fiscalización de Telecomunicaciones y Transportes de Bolivia (the "ATT"), Bolivia's telecommunications regulator, to promulgate rules governing how service is offered to consumers and networks are deployed. The ATT has required wireless carriers to publish data throughput speeds to their subscribers and to pay penalties if they do not comply with transmission speed commitments. It required carriers to implement number portability by October 1, 2018. The ATT has also conditioned the 4G LTE licenses it awarded to Tigo and NuevaTel on meeting service deployment standards, requiring that the availability of 4G LTE service expand over a 96-month period from urban to rural areas. NuevaTel has met its initial 4G LTE launch commitments.

The ATT has aggressively investigated and imposed sanctions on all wireless carriers in connection with the terms on which they offer service to consumers, the manner in which they bill and collect for such services, the manner in which they maintain their networks and the manner in which they report to the ATT regarding network performance (including service interruptions). In the case of NuevaTel, the ATT has assessed fines totaling approximately \$6.7 million in connection with proceedings concerning past service quality deficiencies in 2010 and a service outage in 2015. The fine relating to 2010 service quality deficiencies, in the amount of \$2.2 million, was annulled by the Bolivian Supreme Court on procedural grounds, but the ATT was given the right to impose a new fine. The ATT has until December 2019 to do so. Should it decide to impose a new fine, NuevaTel can discharge the fine by paying half of the penalty on condition that it waives its right to appeal. The Company has accrued the \$2.2 million. The fine relating to the 2015 service outage, \$4.5 million, was also annulled by the Bolivian Public Works Ministry, which supervises the ATT; however, the ATT was allowed to re-impose the fine, which it did, although it has noted in its findings that the outage was a force majeure event. NuevaTel filed an appeal to the Ministry against the re-imposition of the fine. In September 2018, the Ministry notified NuevaTel that it rejected the appeal and that NuevaTel would be required to pay the \$4.5 million fine plus interest. NuevaTel accrued \$4.5 million in the third quarter of 2018 within Other non-current liabilities as presented in the Condensed Consolidated Balance Sheet as of September 30, 2018 and recorded the expense in Other, net in the Condensed Consolidated Statements of Operations and Comprehensive Loss for the three and nine months then ended. NuevaTel intends to appeal the Ministry's decision to the Supreme Tribunal of Justice.

NuevaTel's licensing contracts typically require that NuevaTel post a performance bond valued at 7% of projected revenue for the first year of the respective terms and 5% of gross revenue of the authorized service in subsequent years. Such performance bonds are enforceable by the ATT in order to guarantee that NuevaTel complies with its obligations under the licensing contract and to ensure that NuevaTel pays any fines, sanctions or penalties it incurs from the ATT. NuevaTel and other carriers are permitted by ATT regulations to meet their performance bond requirements by using insurance policies, which must be renewed annually. If NuevaTel is unable to renew its insurance policies, it would be required to seek to obtain a performance bond issued by a Bolivian bank. This performance bond would likely be available under less attractive terms than NuevaTel's current insurance policies. The failure to obtain such a bond could have a material adverse effect on the Company's business, financial condition and prospects.

Under the Bolivian Telecommunications Law, carriers must negotiate new licenses (to replace their existing concessions) with the government. Both the law and the Bolivian constitution specify that carriers' vested rights under their existing concessions will be preserved; however, the Company cannot guarantee that these protections will be respected by the Bolivian government. The ATT migrated the original concessions of Entel and Tigo, wireless competitors to NuevaTel, to new licenses in 2016 in conjunction with renewing their original concessions that were due to expire. In early 2016, the ATT also issued a proposed replacement contract template to NuevaTel that purportedly incorporates provisions of the licenses accepted by Entel and Tigo. NuevaTel has submitted comments on the draft to the ATT and is in discussions with the ATT regarding revisions to the draft. The Company cannot guarantee whether any of NuevaTel's proposed revisions will be accepted by the ATT, whether a proposed replacement license will be offered by the ATT to NuevaTel, whether the terms of any replacement license will fully respect NuevaTel's vested rights under its existing concession, or whether a replacement license will eliminate the need for NuevaTel to seek a license renewal at the time its existing concession is scheduled to expire in November 2019. Nonetheless, NuevaTel expects to renew the license and estimates that a payment of approximately \$25 million will be due in the fourth quarter of 2019 prior to the expiration. The payment is expected to be funded with cash resources from a combination of NuevaTel's operating cash flows, changes in the timing of property and equipment purchases, and potential strategic and operational initiatives in Bolivia.

Entel, the government-owned wireless carrier, maintains certain advantages under the Bolivian Telecommunications Law. Entel normally receives 75% of the universal service tax receipts paid to the government by wireless carriers; Entel uses these funds to expand its network in rural areas that are otherwise unprofitable to serve. Also, the Bolivian Telecommunications Law guarantees Entel access to new spectrum licenses, although it does require Entel to pay the same amount for new and renewed spectrum licenses as are paid by those who acquire spectrum in auctions or by arrangement with the government (including payments for license renewals).

Bolivia - Operating Results

(in millions, unless otherwise noted)	Three Months Ended September 30,		Nine Months Ended September 30,		% Variance	
	2018	2017	2018	2017	3 mo. vs. 3 mo.	9 mo. vs 9 mo.
Service revenues	\$ 59.6	\$ 64.7	\$ 180.1	\$ 196.1	(8%)	(8%)
Total revenues	\$ 60.5	\$ 65.9	\$ 182.4	\$ 199.2	(8%)	(8%)
Data as a % of wireless service revenues ⁽¹⁾	47%	51%	47%	48%	n/m	n/m
Bolivia Adjusted EBITDA	\$ 16.9	\$ 18.7	\$ 52.1	\$ 61.1	(10%)	(15%)
Bolivia Adjusted EBITDA Margin % ⁽²⁾	28%	29%	29%	31%	n/m	n/m
Postpaid Subscribers (in thousands)						
Net additions (losses)	-	2	5	(2)	(81%)	421%
Total postpaid subscribers	346	343	346	343	1%	1%
Prepaid Subscribers (in thousands)						
Net additions (losses)	(179)	(23)	(106)	(103)	(691%)	(4%)
Total prepaid subscribers	1,692	1,706	1,692	1,706	(1%)	(1%)
Other wireless subscribers ⁽³⁾	59	62	59	62	(4%)	(4%)
Total wireless subscribers (in thousands)	2,098	2,111	2,098	2,111	(1%)	(1%)
Blended wireless churn	8.94%	6.13%	8.32%	6.11%	n/m	n/m
Postpaid churn	1.58%	1.53%	1.71%	1.70%	n/m	n/m
Monthly blended wireless ARPU (not rounded)	\$ 9.02	\$ 10.06	\$ 9.23	\$ 9.96	(10%)	(7%)
Monthly postpaid wireless ARPU (not rounded)	\$ 22.39	\$ 23.70	\$ 22.54	\$ 23.53	(6%)	(4%)
Monthly prepaid wireless ARPU (not rounded)	\$ 6.08	\$ 7.05	\$ 6.27	\$ 6.97	(14%)	(10%)
Capital expenditures ⁽⁴⁾	\$ 10.0	\$ 7.6	\$ 22.2	\$ 17.3	33%	28%
Capital intensity	17%	12%	12%	9%	n/m	n/m

n/m - not meaningful

Notes:

⁽¹⁾Definition of data revenues has been updated to exclude revenues related to SMS usage. See "Definitions and Reconciliations of Non-GAAP Measures- Key Industry Performance Measures-Definitions" in this MD&A.

⁽²⁾Bolivia Adjusted EBITDA Margin is calculated as Bolivia Adjusted EBITDA divided by Bolivia Service revenues.

⁽³⁾Includes public telephony and other wireless subscribers.

⁽⁴⁾Represents purchases of property and equipment excluding capital expenditures acquired through vendor-backed financing and capital lease arrangements.

Three and Nine Months Ended September 30, 2018 Compared to Same Periods in 2017

Service revenues declined by \$5.1 million and \$16.0 million for the three and nine months ended September 30, 2018, respectively, compared to the same periods in 2017, primarily due to a decline in data revenues. The decline in data revenues was mainly driven by competitive pricing changes in the market ahead of the introduction of mobile number portability on October 1, 2018.

Data revenues represented 47% of wireless services revenues for the three and nine months ended September 30, 2018, respectively, a decrease from 51% and 48% over the same periods in 2017. LTE adoption increased to 28% as of September 30, 2018 from 19% as of September 30, 2017. Growth of LTE users continues which has driven an overall increase in data consumption, which has partially offset pricing pressure in the market.

Total revenues declined by \$5.3 million and \$16.8 million for the three and nine months ended September 30, 2018, respectively, compared to the same periods in 2017, primarily due to the decrease in service revenues discussed above.

For the three and nine months ended September 30, 2018 compared to the same periods in 2017, operating expenses decreased \$3.4 million and \$8.1 million, respectively, largely due to the following:

- Cost of service decreased \$1.0 million and \$2.9 million for the three and nine months ended September 30, 2018, respectively, compared to the same periods in 2017, primarily due to a decrease in interconnection costs due to lower voice and SMS traffic terminating outside of NuevaTel's network;
- Cost of equipment sales decreased \$1.0 million and \$1.4 million for the three and nine months ended September 30, 2018, respectively, compared to the same periods in 2017, mainly due to a decrease in the number of handsets sold; and
- Sales and marketing decreased \$1.8 million and \$4.4 million for the three and nine months ended September 30, 2018, respectively, compared to the same periods in 2017, primarily due to decreases in customer retention and advertising expenses. The decrease in customer retention expense was driven mainly by the change in the accrual for its customer loyalty program which ended in the third quarter of 2018. The net impact of the change of this accrual to reverse expenses that were previously recognized but not incurred through completion of the program was \$2.2 million for the nine months ended September 30, 2018.

Bolivia Adjusted EBITDA declined \$1.8 million and \$9.0 million for the three and nine months ended September 30, 2018, respectively, compared to the same periods in 2017, primarily due to the decrease in total revenues partially offset by lower operating expenses.

Capital expenditures increased by \$2.5 million and \$4.9 million for three and nine months ended September 30, 2018, respectively, compared to the same periods in 2017, mainly due to timing of spending for the LTE overlay in 2018.

Subscriber Count

Bolivia's wireless subscriber base has historically been predominantly prepaid, although the postpaid portion of the base has grown in recent years. In addition to prepaid and postpaid, Bolivia's wireless subscriber base includes public telephony subscribers, as well as fixed wireless subscribers; these subscribers comprised 3% of the overall subscriber base as of September 30, 2018.

As of September 30, 2018, Bolivia's wireless subscriber base declined 1% compared to September 30, 2017, resulting from a 1% decline in prepaid subscribers. Partially offsetting this decline, postpaid subscribers increased 1% as compared to September 30, 2017.

The decrease in prepaid subscribers is largely due to a higher number of deactivations of new prepaid customers in the third quarter of 2018 as compared to third quarter of 2017 resulting from the conclusion of a promotion in the second quarter of 2018 which encouraged new subscriber acquisitions over customer retention. The increase in postpaid subscribers has been driven by competitive pricing and attractive device subsidies offered in 2018 coupled with promoting NuevaTel's network as the fastest in Bolivia.

Blended Wireless ARPU

Bolivia's blended wireless ARPU is generally driven by LTE adoption, the mix and number of postpaid and prepaid subscribers, its service rate plans, and any discounts or promotional activities used to drive either subscriber growth or data usage increases. Subscriber usage of web navigation, voice services, SMS, and value-added services also have an impact on Bolivia's blended wireless ARPU.

Blended wireless ARPU decreased by 10% and 7% for the three and nine months ended September 30, 2018, respectively, compared to the same periods in 2017. These decreases were primarily due to 14% and 10% decreases in prepaid wireless ARPU for the three and nine months ended, respectively, driven mostly by a decrease in data revenues. Data revenues were impacted during 2018 by promotional offers increasing value for price, which more than offset the increase in data usage.

Bolivia Business Outlook, Competitive Landscape and Industry Trend

The Bolivia Business Outlook, Competitive Landscape and Industry Trend are described in TIP Inc.'s MD&A for the year ended December 31, 2017.

Selected Financial Information

The following tables set forth our summary consolidated financial data for the periods ended and as of the dates indicated below.

The summary consolidated financial data is derived from our Condensed Consolidated Financial Statements for each of the periods indicated in the following tables.

Differences between amounts set forth in the following tables and corresponding amounts in our Condensed Consolidated Financial Statements and related notes which accompany this MD&A are a result of rounding. Amounts for subtotals, totals and percentage variances presented in the following tables may not sum or calculate using the numbers as they appear in the tables because of rounding.

Selected balance sheet information

The following table shows selected consolidated financial information for the Company's financial position as of September 30, 2018 and December 31, 2017. The table below provides information related to the cause of the changes in financial position by financial statement line item for the periods compared.

Consolidated Balance Sheet Data

(in millions, except as noted)	As of September 30, 2018		As of December 31, 2017		Change includes:
Cash and cash equivalents	\$	35.0	\$	47.1	Decrease is primarily due to payment of \$15.5M interest on the Trilogy LLC 2022 Notes. See "Liquidity and Capital Resources Measures" within this MD&A. NuevaTel's prepayment of annual license and spectrum fees during the first quarter of 2018, NuevaTel's dividend payments to noncontrolling interests, and the Company's acquisitions of short-term investments also contributed to the decrease in cash. These decreases were partially offset by the maturity of short-term investments.
% Change		(26%)			
Other current assets		152.8		153.6	Decrease is due to the maturity of short-term investments, largely offset by additions of 2degrees' short-term unbilled EIP receivables and the absence of sales of EIP receivables during the third quarter of 2018. An increase in 2degrees' inventory balance also contributed to the offset.
% Change		(26%)			
Property, equipment and intangibles		472.2		515.9	Decrease is due to additions during the period being less than depreciation and amortization. There was also an approximately \$21 million decline attributable to the cumulative foreign currency translation adjustment due to the strengthening of the U.S. dollar as compared to the New
% Change		(8%)			

Other non-current assets		57.6		44.4	Increase is due to additions of 2degrees' long-term unbilled EIP receivables and prepayment related to NuevaTel's IRU capacity agreement.
% Change		30%			
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Total assets	\$	717.7	\$	761.0	
<hr/>					
Current portion of long-term debt	\$	7.6	\$	10.7	Decrease is primarily due to the classification as of September 30, 2018 of the outstanding amount of the New Zealand 2021 Senior Facilities Agreement as long-term debt, with no current portion as of September 30, 2018, as a result of the refinancing in July 2018.
% Change		(29%)			
All other current liabilities		203.7		209.5	Decrease reflects decrease in the fair value price of warrants and an income tax payment at NuevaTel during the second quarter of 2018, partially offset by an increase in accrued interest on the Trilogy LLC 2022 Notes. There was also a decline of approximately \$10 million attributable to the cumulative foreign currency translation adjustment.
% Change		(3%)			
Long-term debt		503.2		496.5	Increase is primarily due to the classification of the New Zealand 2021 Senior Facilities Agreement as discussed above, partially offset by the transfers to Current portion of long-term debt of the installments due within one year under the NuevaTel's syndicated loan.
% Change		1%			
All other non-current liabilities		35.3		38.1	Decrease is due to individually insignificant items.
% Change		(7%)			
Total shareholders' (deficit) equity		(32.1)		6.2	Change is primarily due to net losses, NuevaTel's dividends distributed to noncontrolling interests and foreign currency translation adjustments.
% Change		(618%)			
<hr/>					
Total liabilities and shareholders' (deficit) equity	\$	717.7	\$	761.0	
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Selected quarterly financial information

The following table shows selected quarterly financial information prepared in accordance with U.S. GAAP. Amounts related to the amortization of imputed discount on EIP receivables have been reclassified from Other, net and are now included as a component of Service revenues and amounts related to the change in fair value of warrant liability have been reclassified from Other, net to conform to the current period presentation. These reclassifications had no effect on previously reported results of operations.

(in millions, except per unit amounts)	2018			2017			2016	
	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
Service revenues	\$ 141.0	\$ 147.6	\$ 148.9	\$ 143.5	\$ 153.0	\$ 151.4	\$ 152.2	\$ 154.6
Equipment sales	49.4	50.5	53.8	58.9	38.8	42.1	39.0	58.8
Total revenues	190.4	198.1	202.7	202.5	191.8	193.5	191.2	213.4
Operating expenses	(184.2)	(193.1)	(200.4)	(198.8)	(184.1)	(182.3)	(179.5)	(197.4)
Operating income	6.3	5.0	2.3	3.7	7.7	11.2	11.6	16.0
Interest expense	(11.1)	(11.5)	(11.1)	(11.1)	(11.2)	(18.5)	(19.0)	(18.3)
Change in fair value of warrant liability	0.9	2.8	2.3	5.6	-	3.5	-	-
Debt modification and extinguishment costs	(4.2)	-	-	-	-	(6.7)	-	-
Other, net	(4.9)	(0.5)	1.0	0.5	0.5	1.6	(1.2)	2.4
(Loss) income before income taxes	(13.0)	(4.1)	(5.5)	(1.3)	(3.0)	(8.9)	(8.6)	0.1
Income tax expense	(0.9)	(2.2)	(1.8)	(1.0)	(2.6)	(1.8)	(2.7)	(0.1)
Net loss	(13.9)	(6.3)	(7.3)	(2.4)	(5.6)	(10.8)	(11.3)	-
Net loss attributable to noncontrolling interests and prior controlling interest	5.5	2.9	2.8	2.6	1.4	5.2	5.4	-
Net (loss) income attributable to TIP Inc.	\$ (8.4)	\$ (3.4)	\$ (4.5)	\$ 0.3	\$ (4.1)	\$ (5.5)	\$ (5.9)	\$ -
Net (loss) income attributable to TIP Inc. per share: ⁽¹⁾								
Basic	\$ (0.15)	\$ (0.06)	\$ (0.09)	\$ 0.01	\$ (0.10)	\$ (0.13)	\$ (0.14)	
Diluted	\$ (0.15)	\$ (0.07)	\$ (0.09)	\$ (0.03)	\$ (0.10)	\$ (0.16)	\$ (0.14)	

(1) Earnings per share amounts have not been presented for any period prior to the consummation of the Arrangement, as the net income (loss) prior to February 7, 2017 was attributable to noncontrolling interests or prior controlling interest.

Quarterly Trends and Seasonality

The Company's operating results may vary from quarter to quarter because of changes in general economic conditions and seasonal fluctuations, among other things, in each of the Company's operations and business segments. Different products and subscribers have unique seasonal and behavioral features. Accordingly, one quarter's results are not predictive of future performance.

Fluctuations in net income from quarter to quarter can result from events that are unique or that occur irregularly, such as losses on the refinancing of debt, foreign exchange gains or losses, changes in the fair value of derivative instruments, impairment of assets, and changes in income taxes.

New Zealand and Bolivia

Trends in New Zealand and Bolivia's Service Revenues and overall operating performance are affected by:

- Lower prepaid subscribers due to shift in focus to postpaid sales;
- Higher usage of wireless data due to migration from 3G to 4G LTE;

- Higher handset sales as more consumers shift to smartphones and higher-end devices;
- Stable postpaid churn, which the Company believes is a reflection of the Company's heightened focus on high-value subscribers and the Company's enhanced subscriber service efforts;
- Decreasing voice revenue as rate plans increasingly incorporate more monthly minutes and calling features, such as long distance;
- Lower roaming revenue as network-coverage enhancements are made, as well as increased uptake of value-added roaming plans;
- Varying handset subsidies as more consumers shift toward smartphones with the latest technologies;
- Varying handset costs related to advancement of technologies and reduced supplier rebates or discounts on highly-sought devices;
- Seasonal promotions which are typically more significant in periods closer to year-end;
- Subscribers activating and suspending service to take advantage of promotions by the Company or its competitors;
- Higher voice and data costs related to the increasing number of subscribers, or, alternatively, a decrease in costs associated with a decline in voice usage; and
- Higher costs associated with the retention of high-value subscribers.

Trends in New Zealand's Service Revenues and operating performance that are unique to its fixed broadband business include:

- Higher internet subscription fees as subscribers increasingly upgrade to higher-tier speed plans, including those with unlimited usage;
- Subscribers bundling their service plans at a discount;
- Fluctuations in retail broadband pricing and operating costs influenced by government-regulated copper wire services pricing and changing consumer and competitive demands;
- Availability of fiber services in a particular area or general network coverage;
- Lower general operating expenses and synergies from the wireless business; and
- Individuals swapping technologies as fiber becomes available in their connection area.

Liquidity and Capital Resources Measures

As of September 30, 2018, the Company had approximately \$35.0 million in cash and cash equivalents of which \$3.0 million was held by 2degrees, \$11.2 million was held by NuevaTel, and \$20.8 million was held primarily at headquarters. The Company also had approximately \$4.0 million in short-term investments at corporate headquarters and \$4.7 million of available capacity on the line of credit facility in New Zealand as of September 30, 2018. Cash and cash equivalents decreased \$12.1 million since December 31, 2017. For the nine months ended September 30, 2018, cash was primarily used for investment in our network related to LTE overlay projects in New Zealand and Bolivia.

In November 2019, the license for 30 MHz of NuevaTel's 1900 MHz spectrum holdings will expire. NuevaTel expects to renew the license and estimates that a payment of approximately \$25 million will be due in the fourth quarter of 2019 prior to the expiration. The payment is expected to be funded with cash resources from a combination of NuevaTel's operating cash flows, changes in the timing of property and equipment purchases, and potential strategic and operational initiatives in Bolivia.

Selected cash flows information

The following table summarizes the Condensed Consolidated Statements of Cash Flows for the periods indicated:

<i>(in millions)</i>	<u>Nine Months Ended September 30,</u>		<u>% Variance</u>
	<u>2018</u>	<u>2017</u>	<u>2018 vs</u> <u>2017</u>
Net cash provided by (used in)			
Operating activities	\$ 29.1	\$ 30.5	(4%)
Investing activities	(38.5)	(73.0)	47%
Financing activities	(2.6)	81.9	(103%)
Net (decrease) increase in cash and cash equivalents	\$ (12.0)	\$ 39.4	(130%)

Cash flow provided by operating activities

Cash flow provided by operating activities decreased by \$1.3 million for the nine months ended September 30, 2018 compared to the same period in 2017. This change was mainly due to changes in certain working capital accounts, including an increase in EIP receivables driven by higher volume of EIPs added in 2018. This change was partially offset by a decrease in cash paid on interest due to a partial repayment in February 2017 and the refinancing in May 2017 of the Trilogy LLC notes due in 2019.

Cash flow used in investing activities

Cash flow used in investing activities decreased by \$34.5 million for the nine months ended September 30, 2018 compared to the same period in 2017, primarily due to a decrease in purchases of short-term investments during the nine months ended September 30, 2018.

Cash flow used in financing activities

Cash flow used in financing activities increased by \$84.6 million for the nine months ended September 30, 2018 compared to the same period in 2017. This change is primarily due to the proceeds from the equity issuance that occurred on February 7, 2017, partially offset by the costs related to the refinancing in May 2017 of the Trilogy LLC notes due in 2019.

Contractual obligations

The Company has various contractual obligations to make future payments, including debt agreements and lease obligations. The following table summarizes the Company's future obligations due by period as of September 30, 2018 and based on the exchange rate as of that date:

	<u>Total</u>	<u>Through December 31, 2018</u>	<u>January 1, 2019 to December 31, 2020</u>	<u>January 1, 2021 to December 31, 2022</u>	<u>From and after January 1, 2023</u>
<i>(in millions)</i>					
Long-term debt, including current portion ^[1]	\$ 521.1	\$ 0.4	\$ 27.3	\$ 493.0	\$ 0.4
Interest on long-term debt and obligations ^[2]	151.5	18.5	81.3	51.7	-
Operating leases	152.3	5.2	37.3	32.8	77.1
Purchase obligations ^[3]	118.1	44.8	35.4	21.1	16.9
Long-term obligations ^[4]	14.3	6.1	7.6	0.6	-
Total	<u>\$ 957.2</u>	<u>\$ 75.0</u>	<u>\$ 188.8</u>	<u>\$ 599.2</u>	<u>\$ 94.3</u>

[1] Excludes the impact of a \$3.0 million discount on long-term debt which is amortized through interest expense over the life of the underlying debt facility.

[2] Includes contractual interest payments using the interest rates in effect as of September 30, 2018.

[3] Purchase obligations are the contractual obligations under service, product, and handset contracts.

[4] Includes the fair value of derivative financial instruments as of September 30, 2018. Amount will vary based on market rates at each quarter end. Excludes asset retirement obligations and other miscellaneous items that are not significant.

In August 2017, the New Zealand government signed the RBI2 Agreement with the New Zealand telecommunications carriers' joint venture to fund a portion of the country's rural broadband infrastructure project. As of September 30, 2018, we have included the estimated outstanding obligation for 2degrees' investments under this agreement of approximately \$15.8 million, based on the exchange rate at that date, through 2022. This obligation is included in "Purchase obligations" in the table above. We have not included potential operating expenses or capital expenditure upgrades associated with this agreement in the commitment.

Effect of inflation

The Company's management believes inflation has not had a material effect on its financial condition or results of operations in recent years. However, there can be no assurance that the business will not be affected by inflation in the future.

Off-Balance Sheet Arrangements

The Company does not have any off-balance sheet arrangements that would have a material effect on the Company's Condensed Consolidated Financial Statements as of September 30, 2018.

Transactions with Related Parties

2degrees had two separate loans from wholly owned subsidiaries of Trilogy LLC, which are eliminated upon consolidation, totaling approximately \$22.2 million as of September 30, 2018. If all conversion rights under such loans were exercised at September 30, 2018, the impact would be an increase in Trilogy LLC's current 73.3% ownership interest in 2degrees by approximately 1.0%, subject to certain pre-emptive rights.

The Company and its officers have used and may continue to use jet airplanes for Company purposes owned by certain of the Trilogy LLC founders. The Company reimburses the Trilogy LLC founders at fair market value and on terms no less favorable to the Company than the Company believes it could obtain in comparable transactions with a third party for the use of these airplanes. For the three and nine months ended September 30, 2018, the Company recognized reimbursements to the Trilogy LLC founders of approximately \$23,000 for the use of their airplanes. For the nine months ended September 30, 2017, the Company reimbursed the Trilogy LLC founders approximately \$197,000 for the use of their airplanes. There were no such reimbursements made during the three months ended September 30, 2017.

For additional information on related party transactions, see Note 20 – Related Party Transactions and discussion of the Arrangement in the notes to the Company's Consolidated Financial Statements.

Proposed Transactions

The Company continuously evaluates opportunities to expand or complement its current portfolio of businesses. All opportunities are analyzed on the basis of strategic rationale and long term shareholder value creation and a disciplined approach will be taken when deploying capital on such investments or acquisitions.

Critical Accounting Estimates

Critical Accounting Judgments and Estimates

Our significant accounting policies are described in Note 1 of the Consolidated Financial Statements for the year ended December 31, 2017. The preparation of the Company's audited and unaudited consolidated financial statements requires it to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue and expenses, and the related disclosure of contingent liabilities. The Company bases its judgments on its historical experience and on various other assumptions that the Company believes are reasonable under the circumstances, the results of which form the basis for making estimates about the carrying values of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Recent Accounting Pronouncements

The effects of recently issued accounting standards are discussed in Note 1 – Description of Business, Basis of Presentation and Summary of Significant Accounting Policies to the Condensed Consolidated Financial Statements.

Changes in Accounting Policies Including Initial Adoption

Other than the change in the presentation of imputed discount on EIP receivables and the adoption of new accounting standards, as discussed in the notes to the Condensed Consolidated Financial Statements, there have been no material changes in the Company's accounting policies.

Financial Instruments and Other Instruments

The Company considers the management of financial risks to be an important part of its overall corporate risk management policy. The Company uses derivative financial instruments to manage existing exposures, irrespective of whether such relationships are formally documented as hedges in accordance with hedge accounting requirements. This is further described in TIP Inc.'s MD&A and Consolidated Financial Statements (see Note 10 – Derivatives Financial Instruments) for the year ended December 31, 2017.

Disclosure of Outstanding Share Data

As of the date of this filing, there were 55,699,586 Common Shares outstanding of which 1,675,336 are forfeitable Common Shares. There were also the following outstanding convertible securities:

Trilogy LLC Class C Units (including unvested units) – redeemable for Common Shares	28,502,257
Warrants	13,402,685
Restricted share units (unvested)	1,683,577
Deferred share units	68,864

Upon redemption or exercise of all of the forgoing convertible securities, TIP Inc. would be required to issue an aggregate of 43,657,383 Common Shares.

Risk and Uncertainty Affecting the Company's Business

The principal risks and uncertainties that could affect our future business results and associated risk mitigation activities are described in TIP Inc.'s MD&A for the year ended December 31, 2017. These risks do not differ significantly from the risk factors in respect of the Company described under the heading "Risk Factors" in the 2017 AIF filed on SEDAR by TIP Inc. (and on EDGAR with TIP Inc.'s Annual Report on Form 40-F) on March 21, 2018 and available on TIP Inc.'s SEDAR profile at www.sedar.com and TIP Inc.'s EDGAR profile at www.sec.gov.

Controls and Procedures

Evaluation of Disclosure Controls and Procedures

Disclosure controls and procedures have been designed to provide reasonable assurance that all material information relating to the Company is identified and communicated to management on a timely basis. Management of the Company, under the supervision of the Company's Chief Executive Officer ("CEO") and Chief Financial Officer ("CFO"), is responsible for establishing and maintaining disclosure controls and procedures to provide reasonable assurance that all material information relating to the Company, including its consolidated subsidiaries, is made known to the CEO and CFO to ensure appropriate and timely decisions are made regarding public disclosure.

Management's Report on Internal Control over Financial Reporting

Management of the Company, under the supervision of the Company's CEO and CFO, is responsible for establishing adequate internal controls over financial reporting. These controls are designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with U.S. GAAP. Management uses the Internal Control – Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission to establish and maintain adequate design of the Company's internal controls over financial reporting. However, due to their inherent limitations, internal controls over financial reporting may not prevent or detect all misstatements and fraud.

As reported in TIP Inc.'s MD&As, for the years ended December 31, 2017 and December 31, 2016, management concluded that certain control deficiencies existed that, in the aggregate, were determined to be a material weakness. Based on an evaluation as of December 31, 2017, management concluded that these aggregated control deficiencies continue to be a material weakness. The material weakness relates to a current lack of accounting, compliance, and information technology ("IT") control processes and documentation, along with staffing to support these processes at 2degrees, that have not been developed to sufficiently address the increased scale and complexity in the business during the expansion that 2degrees has experienced since its launch. As a result, the documentation, rigor, and level of precision of the review process related to periodic reconciliations for certain key accounts as well as IT processes were found to be deficient. We have not identified, nor are we aware of, any material misstatements in TIP Inc.'s financial statements, notwithstanding this material weakness determination.

During the nine months ended September 30, 2018, the Company continued to advance measures to remediate the underlying causes of the material weakness. In order to address the material weakness, the controls that caused the material weakness have been re-designed as of September 30, 2018 to increase the precision to prevent or detect material errors. Additional improvements implemented included hiring additional staff in compliance and IT areas at 2degrees and further developing IT oversight processes and controls. During the remainder of the year, the Company will continue to build on progress to-date related to adding depth, rigor, and precision to reviews of periodic reconciliations of key accounts in order to be able to conclude the remediation efforts. Senior management has discussed the aforementioned material weakness with TIP Inc.'s Audit Committee and Board of Directors, both of which will continue to review the progress on these remediation activities on a regular and ongoing basis. At this time, no assurance can be provided that the actions and remediation efforts to be taken or implemented will effectively remediate the material weakness described above or prevent the incidence of other material weaknesses in the Company's internal control over financial reporting in the future.

Notwithstanding the identified material weakness, management believes the Condensed Consolidated Financial Statements fairly present in all material respects the Company's financial condition, results of operations and cash flows at and for the periods presented in accordance with U.S. GAAP.

Except for the continued remediation efforts described herein, there have been no other significant changes made to the Company's internal control over financial reporting during the three months ended September 30, 2018 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Limitations of Controls and Procedures

The Company's disclosure controls and procedures and internal control over financial reporting are designed to provide reasonable assurance of achieving their objectives. However, due to their inherent limitations, disclosure controls and procedures and internal control over financial reporting may not prevent or detect all misstatements and fraud.

A control system, no matter how well conceived or operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. The Company will continue to periodically review its disclosure controls and procedures and internal control over financial reporting and may make such modifications from time to time as it considers necessary.

Definitions and Reconciliations of Non-GAAP Measures

The Company reports certain non-U.S. GAAP measures that are used to evaluate the performance of the Company and the performance of its segments, as well as to determine compliance with debt covenants and to manage the capital structure. Non-U.S. GAAP measures do not have any standardized meaning under U.S. GAAP and therefore may not be comparable to similar measures presented by other issuers. Securities regulations require such measures to be clearly defined and reconciled with their most directly comparable U.S. GAAP measure.

Consolidated Adjusted EBITDA and Adjusted EBITDA Margin

Consolidated Adjusted EBITDA ("Adjusted EBITDA") represents Net loss (the most directly comparable U.S. GAAP measure) excluding amounts for: income tax expense; interest expense; depreciation, amortization and accretion; equity-based compensation (recorded as a component of General and administrative expense); (gain) loss on disposal and abandonment of assets; and all other non-operating income and expenses. Adjusted EBITDA Margin is calculated as Adjusted EBITDA divided by Service Revenues. Adjusted EBITDA and Adjusted EBITDA Margin are common measures of operating performance in the telecommunications industry. The Company's management believes Adjusted EBITDA and Adjusted EBITDA Margin are helpful measures because they allow management to evaluate the Company's performance by removing from its operating results items that do not relate to core operating performance. The Company's management believes that certain investors and analysts use Adjusted EBITDA to value companies in the telecommunications industry. The Company's management believes that certain investors and analysts also use Adjusted EBITDA and Adjusted EBITDA Margin to evaluate the performance of the Company's business. Adjusted EBITDA and Adjusted EBITDA Margin have no directly comparable U.S. GAAP measure. The following table provides a reconciliation of Adjusted EBITDA to the most comparable financial measure reported under U.S. GAAP, Net loss.

Consolidated Adjusted EBITDA (in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Net loss⁽¹⁾	\$ (13.9)	\$ (5.6)	\$ (27.5)	\$ (27.7)
Interest expense	11.1	11.2	33.7	48.7
Depreciation, amortization and accretion	28.2	26.0	84.9	79.8
Debt modification and extinguishment costs	4.2	-	4.2	6.7
Income tax expense	0.9	2.6	4.9	7.1
Change in fair value of warrant liability	(0.9)	-	(6.1)	(3.5)
Other, net	4.9	(0.5)	4.3	(0.8)
Equity-based compensation	1.1	0.6	5.0	1.9
Loss on disposal and abandonment of assets	1.0	0.3	1.0	0.6
Acquisition and other nonrecurring costs ⁽²⁾	0.8	2.8	3.2	4.6
Consolidated Adjusted EBITDA⁽³⁾	\$ 37.4	\$ 37.3	\$ 107.7	\$ 117.5
Consolidated Adjusted EBITDA Margin	27%	24%	25%	26%

Notes:

⁽¹⁾There was no gain or loss from discontinued operations in the periods presented. Thus, Loss from continuing operations as presented in prior MD&As has been replaced with Net loss.

⁽²⁾2017 periods primarily include costs related to the Company's initial compliance and preparation expenses incurred in connection with the Arrangement and becoming a publicly traded entity. 2018 periods include costs related to the implementation of the new revenue recognition standard of approximately \$0.5 million and \$1.8 million for the three months and nine months ended September 30, 2018, respectively, among other nonrecurring costs.

⁽³⁾In July 2013, Trilogy LLC sold to Salamanca Holding Company, a Delaware limited liability company, 80% of its interest in its wholly owned subsidiary Salamanca Solutions International LLC ("SSI"). Although Trilogy LLC holds a 20% equity interest in SSI, due to the fact that NuevaTel is SSI's primary customer, Trilogy LLC is considered SSI's primary beneficiary, and as such, the Company consolidates 100% of SSI's net income (losses). The impact on the Company's consolidated results of the 80% Trilogy LLC does not own was immaterial to Adjusted EBITDA for the three months ended September 30, 2018. Its impact decreased Adjusted EBITDA by \$0.2 million for the three months ended September 30, 2017, and decreased Adjusted EBITDA by \$0.1 million and \$0.2 million for the nine months ended September 30, 2018 and 2017, respectively.

Trilogy LLC Consolidated EBITDA

For purposes of the indenture for the Trilogy 2022 Notes, the following is a reconciliation of Trilogy LLC Consolidated EBITDA as defined in the indenture, to Consolidated Adjusted EBITDA.

Trilogy LLC Consolidated EBITDA

(in millions)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Consolidated Adjusted EBITDA	\$ 37.4	\$ 37.3	\$ 107.7	\$ 117.5
Realized gain on foreign currency	0.8	-	1.1	0.9
Interest income	0.1	0.2	0.4	0.4
Fines and penalties	(4.6)	-	(4.4)	(0.3)
Adjustment for liability classified equity-based awards	-	0.6	-	0.6
TIP Inc. Adjusted EBITDA	0.1	0.1	0.4	0.3
Trilogy LLC Consolidated EBITDA	\$ 33.8	\$ 38.2	\$ 105.1	\$ 119.4

Consolidated Equipment Subsidy

Equipment subsidy (“**Equipment Subsidy**”) is the cost of devices in excess of the revenue generated from equipment sales and is calculated by subtracting Cost of equipment sales from Equipment sales. Management uses Equipment Subsidy on a consolidated level to evaluate the net loss that is incurred in connection with the sale of equipment or devices in order to acquire and retain subscribers. Equipment Subsidy includes devices acquired and sold for wireline subscribers. Consolidated Equipment Subsidy is used in computing Equipment subsidy per gross addition. A reconciliation of Equipment Subsidy to Equipment sales and Cost of equipment sales, both U.S. GAAP measures, is presented below:

Equipment Subsidy

<i>(in millions)</i>	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Cost of equipment sales	\$ 54.5	\$ 44.8	\$ 167.5	\$ 136.0
Less: Equipment sales	(49.4)	(38.8)	(153.7)	(119.9)
Equipment Subsidy	\$ 5.1	\$ 6.0	\$ 13.8	\$ 16.1

Key Industry Performance Measures – Definitions

The following measures are industry metrics that management finds useful in assessing the operating performance of the Company, and are often used in the wireless telecommunications industry, but do not have a standardized meaning under U.S. GAAP.

- **Monthly average revenues per wireless user (“ARPU”)** is calculated by dividing average monthly wireless service revenues during the relevant period by the average number of wireless subscribers during such period.
- **Wireless data revenues (“data revenues”)** is a component of wireless service revenues that includes the use of web navigation, multimedia messaging service (“MMS”) and value-added services that are conducted by the subscriber over the wireless network through their device. Beginning with the third quarter of 2018, data revenues no longer include revenues from the use of SMS.
- **Wireless service revenues (“wireless service revenues”)** is a component of total revenues that excludes wireline revenues, equipment revenues and non-subscriber international long distance revenues; it captures wireless performance and is the basis for the blended wireless ARPU and data as a percentage of wireless service revenue calculations.
- **Wireless data average revenue per wireless user** is calculated by dividing monthly data revenues during the relevant period by the average number of wireless subscribers during the period.
- **Churn (“churn”)** is the rate at which existing subscribers cancel their services, or are suspended from accessing the network, or have no revenue generating event within the most recent 90 days, expressed as a percentage. Churn is calculated by dividing the number of subscribers disconnected by the average subscriber base. It is a measure of monthly subscriber turnover.
- **Cost of Acquisition (“cost of acquisition”)** represents the total cost associated with acquiring a subscriber and is calculated by dividing total Sales and Marketing expense plus Equipment Subsidy during the relevant period by the number of new wireless subscribers added during the relevant period.
- **Equipment subsidy per gross addition** is calculated by dividing Equipment Subsidy by the number of new wireless subscribers added during the relevant period.

- **Capital intensity** (“**capital intensity**”) represents purchases of property and equipment divided by total Service Revenues. The Company’s capital expenditures do not include expenditures on spectrum licenses. Capital intensity allows the Company to compare the level of the Company’s additions to property and equipment to those of other companies within the same industry.

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Section 3: EX-99.2 (EXHIBIT 99.2)

Trilogy International Partners

TRILOGY INTERNATIONAL PARTNERS INC.

CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
FOR THE QUARTER ENDED SEPTEMBER 30, 2018

PART I - FINANCIAL INFORMATION
Item 1) Financial Statements

TRILOGY INTERNATIONAL PARTNERS INC.
Condensed Consolidated Balance Sheets
(US dollars in thousands, except share amounts)
(unaudited)

	September 30, 2018	December 31, 2017
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 34,973	\$ 47,093
Short-term investments	3,995	24,240
Accounts receivable, net	72,865	75,032
Equipment Installment Plan ("EIP") receivables, net	24,753	17,190
Inventory	29,717	21,351
Prepaid expenses and other current assets	21,509	15,809
Total current assets	<u>187,812</u>	<u>200,715</u>
Property and equipment, net	387,724	415,628
License costs and other intangible assets, net	84,510	100,251
Goodwill	8,881	9,539
Long-term EIP receivables	24,632	14,799
Other assets	24,108	20,106
Total assets	<u>\$ 717,667</u>	<u>\$ 761,038</u>
LIABILITIES AND SHAREHOLDERS' (DEFICIT) EQUITY		
Current liabilities:		
Accounts payable	\$ 30,002	\$ 33,553
Construction accounts payable	27,316	26,271
Current portion of debt	7,554	10,705
Customer deposits and unearned revenue	15,184	20,769
Other current liabilities and accrued expenses	131,155	128,882
Total current liabilities	<u>211,211</u>	<u>220,180</u>
Long-term debt	503,188	496,547
Deferred income taxes	1,366	3,320
Other non-current liabilities	33,981	34,801
Total liabilities	<u>749,746</u>	<u>754,848</u>
Commitments and contingencies		
Shareholders' (deficit) equity:		
Common shares and additional paid in capital; no par value, unlimited authorized, 55,668,332 and 53,815,631 shares issued and outstanding	1,270	-
Accumulated deficit	(70,515)	(53,259)
Accumulated other comprehensive income	2,554	6,059
Total Trilogy International Partners Inc. shareholders' deficit	<u>(66,691)</u>	<u>(47,200)</u>
Noncontrolling interests	34,612	53,390
Total shareholders' (deficit) equity	<u>(32,079)</u>	<u>6,190</u>
Total liabilities and shareholders' (deficit) equity	<u>\$ 717,667</u>	<u>\$ 761,038</u>

On behalf of the Board:

/s/ Mark Kroloff

/s/ Anthony Lacavera

/s/ Nadir Mohamed

Mark Kroloff
Director

Anthony Lacavera
Director

Nadir Mohamed
Director

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements

TRILOGY INTERNATIONAL PARTNERS INC.
Condensed Consolidated Statements of Operations and Comprehensive Loss
(US dollars in thousands, except share and per share amounts)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenues				
Wireless service revenues	\$ 122,830	\$ 133,233	\$ 379,744	\$ 400,808
Wireline service revenues	14,953	15,088	46,033	42,751
Equipment sales	49,386	38,803	153,660	119,896
Non-subscriber international long distance and other revenues	3,255	4,659	11,787	12,991
Total revenues	<u>190,424</u>	<u>191,783</u>	<u>591,224</u>	<u>576,446</u>
Operating expenses				
Cost of service, exclusive of depreciation, amortization and accretion shown separately	48,017	54,802	153,576	162,815
Cost of equipment sales	54,474	44,797	167,482	135,965
Sales and marketing	23,889	28,257	76,009	78,234
General and administrative	28,577	29,951	94,691	88,546
Depreciation, amortization and accretion	28,173	25,995	84,868	79,776
Loss on disposal and abandonment of assets	1,035	319	1,017	601
Total operating expenses	<u>184,165</u>	<u>184,121</u>	<u>577,643</u>	<u>545,937</u>
Operating income	<u>6,259</u>	<u>7,662</u>	<u>13,581</u>	<u>30,509</u>
Other (expenses) income				
Interest expense	(11,087)	(11,156)	(33,665)	(48,677)
Change in fair value of warrant liability	923	(42)	6,058	3,473
Debt modification and extinguishment costs	(4,192)	-	(4,192)	(6,689)
Other, net	(4,878)	509	(4,339)	841
Total other expenses, net	<u>(19,234)</u>	<u>(10,689)</u>	<u>(36,138)</u>	<u>(51,052)</u>
Loss before income taxes	(12,975)	(3,027)	(22,557)	(20,543)
Income tax expense	(903)	(2,554)	(4,932)	(7,137)
Net loss	(13,878)	(5,581)	(27,489)	(27,680)
Less: Net loss attributable to noncontrolling interests and prior controlling interest	5,514	1,436	11,207	12,081
Net loss attributable to Trilogy International Partners Inc.	<u>\$ (8,364)</u>	<u>\$ (4,145)</u>	<u>\$ (16,282)</u>	<u>\$ (15,599)</u>
Comprehensive (loss) income				
Net loss	\$ (13,878)	\$ (5,581)	\$ (27,489)	\$ (27,680)
Other comprehensive (loss) income:				
Foreign currency translation adjustments	(2,619)	(2,435)	(7,932)	4,852
Net gain (loss) on derivatives and short-term investments	22	(26)	19	107
Other comprehensive (loss) income	<u>(2,597)</u>	<u>(2,461)</u>	<u>(7,913)</u>	<u>4,959</u>
Comprehensive loss	(16,475)	(8,042)	(35,402)	(22,721)
Comprehensive loss attributable to noncontrolling interests and prior controlling interest	6,855	2,708	15,411	6,277
Comprehensive loss attributable to Trilogy International Partners Inc.	<u>\$ (9,620)</u>	<u>\$ (5,334)</u>	<u>\$ (19,991)</u>	<u>\$ (16,444)</u>
Net loss attributable to Trilogy International Partners Inc. per share:				
Basic (see Note 10 - Earnings per Share)	\$ (0.15)	\$ (0.10)	\$ (0.31)	\$ (0.37) ⁽¹⁾
Diluted (see Note 10 - Earnings per Share)	\$ (0.15)	\$ (0.10)	\$ (0.32)	\$ (0.38) ⁽¹⁾
⁽¹⁾ For the period from February 7, 2017 through September 30, 2017				
Weighted average common shares:				
Basic	54,042,355	42,764,260	53,239,125	42,608,538
Diluted	82,431,972	42,764,260	82,106,475	81,729,586

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements

TRILOGY INTERNATIONAL PARTNERS INC.
Condensed Consolidated Statements of Cash Flows
(US dollars in thousands)
(unaudited)

	Nine Months Ended September 30,	
	2018	2017
Operating activities:		
Net loss	\$ (27,489)	\$ (27,680)
Adjustments to reconcile net loss to net cash provided by operating activities:		
Provision for doubtful accounts	11,440	10,129
Depreciation, amortization and accretion	84,868	79,776
Equity-based compensation	4,989	1,942
Loss on disposal and abandonment of assets	1,017	601
Non-cash interest expense, net	2,581	2,714
Settlement of cash flow hedges	(957)	(1,265)
Change in fair value of warrant liability	(6,058)	(3,473)
Debt modification and extinguishment costs	4,192	6,689
Non-cash loss from change in fair value on cash flow hedges	947	1,373
Unrealized loss (gain) on foreign exchange transactions	992	(282)
Deferred income taxes	(1,937)	836
Changes in operating assets and liabilities:		
Accounts receivable	(10,057)	(11,930)
EIP receivables	(21,705)	(548)
Inventory	(9,868)	5,629
Prepaid expenses and other current assets	(6,391)	(186)
Other assets	(4,381)	(4,459)
Accounts payable	(3,132)	(9,629)
Other current liabilities and accrued expenses	14,859	(15,884)
Customer deposits and unearned revenue	(4,774)	(3,882)
Net cash provided by operating activities	<u>29,136</u>	<u>30,471</u>
Investing activities:		
Purchase of property and equipment	(58,250)	(56,160)
Maturities and sales of short-term investments	29,183	23,940
Purchase of short-term investments	(8,948)	(38,106)
Purchase of spectrum licenses and other additions to license costs	(714)	(3,238)
Other, net	263	573
Net cash used in investing activities	<u>(38,466)</u>	<u>(72,991)</u>
Financing activities:		
Proceeds from debt	297,611	467,622
Payments of debt	(285,636)	(570,637)
Dividends to shareholders and noncontrolling interest	(7,573)	(537)
Debt issuance, modification and extinguishment costs	(6,892)	(9,151)
Other, net	(150)	-
Proceeds from equity issuance, net of issuance costs	-	199,267
Payment of financed license obligation	-	(4,362)
Purchase of shares from noncontrolling interest	-	(1,675)
Capital contributions from equity holders	-	1,400
Net cash (used in) provided by financing activities	<u>(2,640)</u>	<u>81,927</u>
Net (decrease) increase in cash and cash equivalents	(11,970)	39,407
Cash and cash equivalents, beginning of period	47,093	21,154
Effect of exchange rate changes	(150)	511
Cash and cash equivalents, end of period	<u>\$ 34,973</u>	<u>\$ 61,072</u>

The accompanying notes are an integral part of these Condensed Consolidated Financial Statements

TRILOGY INTERNATIONAL PARTNERS INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(US dollars in thousands unless otherwise noted)
(unaudited)

NOTE 1 – DESCRIPTION OF BUSINESS, BASIS OF PRESENTATION AND SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Description of Business and Basis of Presentation

The accompanying unaudited interim Condensed Consolidated Financial Statements include the accounts of Trilogy International Partners Inc. (“TIP Inc.” and together with its consolidated subsidiaries referred to as the “Company”). All intercompany transactions and accounts were eliminated. The Condensed Consolidated Balance Sheet as of December 31, 2017 is derived from the audited TIP Inc. financial statements at that date and should be read in conjunction with these Condensed Consolidated Financial Statements. Certain information in footnote disclosures normally included in annual financial statements was condensed or omitted for the interim periods presented in accordance with accounting principles generally accepted in the United States of America (“GAAP”). In the opinion of management, the interim financial information includes all adjustments, consisting of normal recurring adjustments, necessary for a fair statement of the results for the interim periods. The interim results of operations and cash flows are not necessarily indicative of those results and cash flows expected for the full year.

On February 7, 2017, Trilogy International Partners LLC (“Trilogy LLC”), a Washington limited liability company, and Alignvest Acquisition Corporation (the prior name of TIP Inc.) completed a court approved plan of arrangement (the “Arrangement”) pursuant to an arrangement agreement dated November 1, 2016 (as amended December 20, 2016, the “Arrangement Agreement”). As a result of the Arrangement, TIP Inc., through a wholly owned subsidiary, owns and controls a majority interest in Trilogy LLC.

Certain amounts in prior periods have been reclassified relating to the amortization of imputed discount on Equipment Installment Plan (“EIP”) receivables. This recognition of imputed discount has been reclassified from Other, net to Non-subscriber international long distance and other revenues on our Condensed Consolidated Statements of Operations and Comprehensive Loss, to conform to the current year’s presentation. See “EIP Receivables” below for further detail.

The Company has two reportable operating segments, New Zealand and Bolivia. Unallocated corporate operating expenses, which pertain primarily to corporate administrative functions that support the operating segments, but are not specifically attributable to or managed by any segment, are presented as a reconciling item between total segment operating results and consolidated financial results. Below is a brief summary of each of the Company’s operations:

New Zealand:

Two Degrees Mobile Limited (“2degrees”) was formed under the laws of New Zealand on February 15, 2001. 2degrees holds spectrum licenses to provide nationwide wireless communication services. A portion of these licenses expire in 2021 while others expire in 2031. 2degrees launched commercial operations in 2009 as the third operator in New Zealand. 2degrees provides voice, data and long distance services to its customers over third generation (“3G”) and fourth generation (“4G”) networks. 2degrees also maintains inbound visitor roaming and international outbound roaming agreements with various international carriers. 2degrees offers its mobile communications services through both prepaid and postpaid payment plans. 2degrees also offers fixed broadband communications services to residential and enterprise customers.

As of September 30, 2018, through its consolidated subsidiaries, Trilogy LLC’s ownership interest in 2degrees was 73.3% .

Bolivia:

Empresa de Telecomunicaciones NuevaTel (PCS de Bolivia), S.A. (“NuevaTel”) was formed under the laws of Bolivia in November, 1999 to engage in Personal Communication Systems (“PCS”) operations. NuevaTel was awarded its first PCS license in 1999 and commenced commercial service in November 2000 under the brand name Viva. NuevaTel operates a Global System for Mobile Communications (“GSM” or “2G”) network along with 3G and 4G networks. These networks provide voice and a variety of data services, including high-speed Internet, messaging services and application and content downloads. NuevaTel offers its mobile communications services through both prepaid and postpaid payment plans, although the majority of NuevaTel’s subscribers pay on a prepaid basis. In addition to basic voice and data services, NuevaTel offers public telephony services. NuevaTel’s public telephony service utilizes wireless pay telephones located in stores and call centers that are owned and managed by NuevaTel resellers.

As of September 30, 2018, through its consolidated subsidiaries, Trilogy LLC’s ownership interest in NuevaTel was 71.5% .

Additional details on our reportable operating segments are included in Note 15 – Segment Information.

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Summary of Significant Accounting Policies

Use of Estimates:

The preparation of the unaudited interim Condensed Consolidated Financial Statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts of assets and liabilities and the amounts of revenues and expenses reported for the periods presented. Certain estimates require difficult, subjective or complex judgments about matters that are inherently uncertain. Actual results could differ from those estimates.

Accounts Receivable, net:

Management makes estimates of the uncollectability of its accounts receivable. In determining the adequacy of the allowance for doubtful accounts, management analyzes historical experience and current collection trends, known troubled accounts, receivable aging and current economic trends. The Company writes off account balances against the allowance for doubtful accounts when collection efforts are unsuccessful. Provisions for uncollectible receivables are included in General and administrative expenses. The allowance for doubtful accounts was \$6.0 million and \$9.3 million as of September 30, 2018 and December 31, 2017, respectively.

EIP Receivables:

At the time of sale of handsets under installment plans, we impute risk adjusted interest on the receivables associated with EIPs. Historically, we recorded this imputed discount as a reduction of equipment sales and the imputed interest was deferred and included within EIP receivables, net on our Condensed Consolidated Balance Sheets. The imputed discount was amortized to interest income over the term of the EIP contract in Other, net on our Condensed Consolidated Statements of Operations and Comprehensive Loss.

Beginning with the second quarter of 2018, the amortization of imputed discount on EIP receivables has been reclassified from Other, net and is now included as a component of Non-subscriber international long distance and other revenues on our Condensed Consolidated Statements of Operations and Comprehensive Loss. This presentation provides a clearer representation of amounts earned from the Company's ongoing operations and aligns with industry practice thereby enhancing comparability. We applied this reclassification to all periods presented. Amortization of imputed discount included within Non-subscriber international long distance and other revenues was \$0.6 million and \$0.5 million for the three months ended September 30, 2018 and 2017, respectively, and \$1.8 million and \$1.5 million for the nine months ended September 30, 2018 and 2017, respectively. This change had no impact on net loss for any period presented.

Recently Adopted Accounting Standards:

On April 5, 2012, the Jumpstart Our Business Startups Act of 2012 (the "JOBS Act") was signed into law. The JOBS Act contains provisions that, among other things, reduce certain reporting requirements for qualifying public companies. As an "emerging growth company", we may delay adoption of new or revised accounting pronouncements applicable to public companies until such pronouncements are made applicable to private companies. We intend to comply with the extended transition period. Accordingly, our financial statements may not be comparable to those of companies that adopt such new or revised accounting standards.

In October 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-16, "Intra-Entity Transfers of Assets Other Than Inventory", which modifies the accounting for the income tax consequences of intra-entity transfers of assets other than inventory. The ASU eliminates the prohibition against the recognition of current and deferred income taxes for an intra-entity asset transfer until the asset has been sold to an outside party or otherwise recovered through use and will require entities to recognize the income tax consequences of an intra-entity transfer when the transfer occurs. The ASU requires a modified retrospective application with a cumulative-effect adjustment recorded in retained earnings as of the beginning of the period of adoption. This standard will take effect for public business entities for fiscal years beginning after December 15, 2017, including interim periods within those fiscal years. For all other organizations, the standard will take effect for fiscal years beginning after December 15, 2018, and for interim periods within fiscal years beginning after December 15, 2019. Early adoption is permitted for all entities as of the beginning of a fiscal year. As an "emerging growth company," we early adopted the ASU as of the beginning of fiscal 2018.

As discussed in Note 14 - Income Taxes, during the third quarter of 2017, the Company's New Zealand subsidiary, 2degrees, entered into an intra-entity asset transfer to separate its network assets from its retail operations business. The intra-entity asset transfer resulted in an increase to the tax bases of the assets transferred at the entity that received the network assets. Upon adoption of the ASU in the first quarter of 2018, deferred tax assets (with full corresponding valuation allowances) were recorded for the increased tax bases for transferred assets. Given the full valuation allowance position against the Company's New Zealand deferred tax assets, there was no cumulative adjustment to retained earnings as a result of the adoption of ASU 2016-16.

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Recently Issued Accounting Standards:

In June 2016, the FASB issued ASU 2016-13 related to the measurement of credit losses on financial instruments. The standard requires a financial asset (or a group of financial assets) measured at amortized cost basis to be presented at the net amount expected to be collected. The measurement of expected credit losses is based on relevant information about past events, including historical experience, current conditions and reasonable and supportable forecasts that affect the collectibility of the reported amount. The standard will take effect for public entities for fiscal years beginning after December 15, 2019, including interim periods within those fiscal years. For all other organizations, the standard will take effect for fiscal years beginning after December 15, 2020, and for interim periods within fiscal years beginning after December 15, 2021. Early adoption is permitted for all organizations for fiscal years beginning after December 15, 2018. As an “emerging growth company”, we intend to adopt this standard on the date it becomes applicable to private companies. The adoption of this ASU will require a cumulative-effect adjustment to Accumulated deficit as of the beginning of the first reporting period in which the guidance is effective (that is, a modified-retrospective approach). We are currently evaluating the impact this ASU will have on our consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02 related to recognition of leases. This standard will require organizations that lease assets to recognize on the balance sheet the assets and liabilities for the rights and obligations created by those leases. The new guidance will require classifications of leases, both operating and capital, to be recognized on the balance sheet. Consistent with current GAAP, the recognition, measurement, and presentation of expenses and cash flows arising from a lease will depend on its classification. The standard will require disclosures to help investors and other financial statement users better understand the amount, timing and uncertainty of cash flows arising from leases. This standard will take effect for public entities for fiscal years beginning after December 15, 2018, including interim periods within those fiscal years. For all other organizations, the standard will take effect for fiscal years beginning after December 15, 2019, and for interim periods within fiscal years beginning after December 15, 2020. Early adoption is permitted for all organizations. As an “emerging growth company”, we intend to adopt this standard on the date it becomes applicable to private companies. We are currently evaluating our transition approach, given the transition method amendment provided in ASU 2018-11. The adoption of this ASU will result in the recognition of significant right-of-use assets and lease liabilities in our balance sheets that have not previously been recorded, but we currently expect such adoption to have an insignificant impact on our statements of operations. Our evaluation is continuing, with a focus on our accounting for cell site, office, and retail leases as well as our review of system readiness and overall interpretations. We will continue our assessment of other potential impacts of this ASU on our consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09 related to revenue recognition, which will supersede nearly all existing recognition guidance under GAAP. The core principle of the guidance is that an entity should recognize revenue arising from the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. To comply with that core principle, an entity should apply the following steps: 1) identify the contract(s) with a customer, 2) identify the performance obligations in the contract, 3) determine the transaction price, 4) allocate the transaction price to the performance obligations in the contract, and 5) recognize revenue when (or as) the entity satisfies a performance obligation. For public entities, this pronouncement is effective for annual and interim reporting periods beginning after December 15, 2017. For all other organizations, the standard will take effect for annual reporting periods beginning after December 15, 2018, and for interim periods beginning after December 15, 2019. Early adoption is permitted for all organizations. As an “emerging growth company”, we intend to adopt this standard on the date it becomes applicable to private companies.

We expect the standard to have an impact on the timing and allocation of revenue recognition relating to the sales of equipment and service, primarily for arrangements that have contractual terms of at least 12 months. The allocation of revenue between equipment and service for our wireless subsidy contracts will result in more revenue allocated to equipment and recognized upon delivery, and less service revenue recognized over the contract term than under current GAAP. Total revenue over the full contract term will be unchanged and there will be no change to customer billing, the timing of cash flows or the presentation of cash flows.

We also expect the standard to have an impact on contract acquisition costs, including commissions to dealers and retailers. Currently, we expense contract acquisition costs as they are incurred. Under the new standard, we will defer direct and incremental contract acquisition costs over the period of benefit, which we currently estimate to be between 1-4 years, depending on revenue and commission type. We have elected to capitalize only those commissions that are related to contracts open as of the date of adoption; therefore, we expect the impact of deferring contract costs will be a reduction of sales and marketing expense in our statement of operations in the initial years following the date we adopt this standard.

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We are devoting management resources and have also engaged third-party consultants to assist management with the implementation of the standard. Our review is not complete and we are in the process of developing internal policies and implementing changes to processes and internal controls to meet the standard's updated reporting and disclosure requirements. At this time, we are continuing to evaluate the potential impact of the new standard on our consolidated financial statements. The updated standard allows for either a full retrospective adoption or modified retrospective adoption and we intend to adopt the standard using the modified retrospective approach.

NOTE 2 – PROPERTY AND EQUIPMENT

	<u>As of September 30, 2018</u>	<u>As of December 31, 2017</u>
Land, buildings and improvements	\$ 9,140	\$ 8,979
Wireless communication systems	761,797	754,257
Furniture, equipment, vehicles and software	162,367	164,498
Construction in progress	56,274	55,135
	<u>989,578</u>	<u>982,869</u>
Less: accumulated depreciation	(601,854)	(567,241)
Property and equipment, net	<u>\$ 387,724</u>	<u>\$ 415,628</u>

Depreciation expense was \$23.5 million and \$21.7 million for the three months ended September 30, 2018 and 2017, respectively. Depreciation expense was \$70.7 million and \$65.6 million for the nine months ended September 30, 2018 and 2017, respectively.

Advances to equipment vendors are included in Other assets and totaled \$5.7 million and \$5.8 million as of September 30, 2018 and December 31, 2017, respectively.

Supplemental cash flow information:

The Company acquired \$1.6 million of property and equipment through current and long-term debt during each of the nine months ended September 30, 2018 and 2017.

The Company also acquires property and equipment through current and long-term construction accounts payable. The net change in current and long-term construction accounts payable resulted in adjustments to Purchase of property and equipment in the Condensed Consolidated Statements of Cash Flows of \$0.8 million and \$1.4 million for the nine months ended September 30, 2018 and 2017, respectively.

NOTE 3 – GOODWILL, LICENSE COSTS AND OTHER INTANGIBLE ASSETS

There were no goodwill impairments required to be recognized as of September 30, 2018 and December 31, 2017, since events and circumstances did not indicate such impairment. Changes in the Company's goodwill balance for the nine months ended September 30, 2018 and 2017 were related to foreign currency adjustment and were not material.

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The Company's license costs and other intangible assets consisted of the following:

	Estimated Useful Lives	As of September 30, 2018			As of December 31, 2017		
		Gross Carrying Amount	Accumulated Amortization	Net	Gross Carrying Amount	Accumulated Amortization	Net
License costs	7 - 20 years	\$ 185,883	\$ (104,784)	\$ 81,099	\$ 192,713	\$ (97,848)	\$ 94,865
Subscriber relationships	7 years	12,361	(9,091)	3,270	13,276	(8,152)	5,124
Other	6 -14 years	3,517	(3,376)	141	3,618	(3,356)	262
Total		\$ 201,761	\$ (117,251)	\$ 84,510	\$ 209,607	\$ (109,356)	\$ 100,251

Amortization expense was \$4.2 million and \$4.5 million for the three months ended September 30, 2018 and 2017, respectively. Amortization expense was \$13.0 million and \$13.5 million for the nine months ended September 30, 2018 and 2017, respectively.

New Zealand:

On October 29, 2013, Trilogy International Radio Spectrum LLC, a Delaware limited liability company and indirect wholly owned subsidiary of TIP Inc. ("TIRS"), entered into an agreement with the government of New Zealand for the acquisition of a 10 MHz paired license of 700 MHz spectrum (the "700 MHz License") for \$44.0 million New Zealand dollars ("NZD") (\$29.1 million based on the exchange rate at September 30, 2018). The 700 MHz License expires in 2031. TIRS has made this spectrum available to 2degrees, and 2degrees uses such spectrum in connection with its provision of 4G services.

The acquisition of the 700 MHz License was funded through a long-term payable from TIRS to the government of New Zealand. TIRS is obligated to make annual installment payments along with accrued interest. Interest on the unpaid purchase price accrues at the rate of 5.8% per annum. In March 2017, the Company paid an installment on behalf of TIRS in the total amount of \$10.5 million NZD to the government of New Zealand (\$7.3 million based on the average exchange rate in the month of payment of which \$2.9 million was accrued interest). There were no additional payments during the nine months ended September 30, 2018.

As of September 30, 2018, the outstanding current and long-term portions, excluding interest, of the license obligation for the 700 MHz License recorded in Other current liabilities and accrued expenses and Other non-current liabilities were \$6.1 million and \$6.4 million, respectively.

Bolivia:

In November 2019, the license for 30 MHz of NuevaTel's 1900 MHz spectrum holdings will expire. NuevaTel expects to renew the license and estimates that a payment of approximately \$25 million will be due in the fourth quarter of 2019 prior to the expiration. The payment is expected to be funded with cash resources from a combination of NuevaTel's operating cash flows, changes in the timing of property and equipment purchases, and potential strategic and operational initiatives in Bolivia.

NOTE 4 – EIP RECEIVABLES

In New Zealand, 2degrees offers certain wireless subscribers the option to pay for their handsets in installments over a period of up to 36 months using an EIP.

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The following table summarizes the unbilled EIP receivables:

	As of September 30, 2018	As of December 31, 2017
EIP receivables, gross	\$ 56,904	\$ 36,311
Unamortized imputed discount	(4,530)	(2,600)
EIP receivables, net of unamortized imputed discount	\$ 52,374	\$ 33,711
Allowance for doubtful accounts	(2,989)	(1,722)
EIP receivables, net	\$ 49,385	\$ 31,989

Classified on the balance sheet as:	As of September 30, 2018	As of December 31, 2017
EIP receivables, net	\$ 24,753	\$ 17,190
Long-term EIP receivables	24,632	14,799
EIP receivables, net	\$ 49,385	\$ 31,989

2degrees categorizes unbilled EIP receivables as prime or subprime based on subscriber credit profiles. Upon initiation of a subscriber's installment plan, 2degrees uses a proprietary scoring system that measures the credit quality of EIP receivables using several factors, such as credit bureau information, subscriber credit risk scores, service plan and EIP characteristics. 2degrees periodically assesses the proprietary scoring system. Prime subscribers are those with lower risk of delinquency and whose receivables are eligible for sale to a third party. Subprime subscribers are those with higher delinquency risk. Based on subscribers' credit quality, subscribers may be denied an EIP option or be required to participate in a risk mitigation program which includes paying a deposit and allowing for automatic payments.

The balances of EIP receivables on a gross basis by credit category as of the period presented were as follows:

	As of September 30, 2018	As of December 31, 2017
Prime	\$ 36,438	\$ 25,869
Subprime	20,466	10,442
Total EIP receivables, gross	\$ 56,904	\$ 36,311

The EIP receivables had weighted average imputed discount rates of 6.75% and 6.76% as of September 30, 2018 and December 31, 2017, respectively.

The following table shows changes in the aggregate net carrying amount of the unbilled EIP receivables:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2018	2017	2018	2017
Beginning balance of EIP receivables, net	\$ 35,917	\$ 29,288	\$ 31,989	\$ 32,984
Additions	26,150	16,272	78,206	44,607
Billings and payments	(9,782)	(9,574)	(32,392)	(25,866)
Sales of EIP receivables	-	-	(21,913)	(17,790)
Foreign currency translation	(1,129)	(621)	(3,308)	1,286
Change in allowance for doubtful accounts and imputed discount	(1,771)	(1,189)	(3,197)	(1,045)
Total EIP receivables, net	\$ 49,385	\$ 34,176	\$ 49,385	\$ 34,176

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Sales of EIP Receivables:

2degrees has a mobile handset receivables purchase agreement (the “EIP Sale Agreement”) with a third party New Zealand financial institution (the “EIP Buyer”). The EIP Sale Agreement provides an arrangement for 2degrees to accelerate realization of receivables from wireless subscribers who purchase mobile phones from 2degrees on installment plans. Under the agreement and on a monthly basis, 2degrees offers to sell specified receivables to the EIP Buyer and the EIP Buyer may propose a price at which to purchase the receivables. Neither party is obligated to conclude a purchase, except on mutually agreeable terms.

The following table summarizes the impact of the sales of the EIP receivables in the nine months ended September 30, 2018 and 2017. There were no sales of the EIP receivables in the three months ended September 30, 2018 or 2017.

	Nine Months Ended September 30,	
	2018	2017
EIP receivables derecognized	\$ 21,913	\$ 17,790
Cash proceeds	(18,531)	(15,652)
Reversal of unamortized imputed discount	(1,480)	(1,200)
Reversal of allowance for doubtful accounts	(877)	(533)
Pre-tax loss on sales of EIP receivables	<u>\$ 1,025</u>	<u>\$ 405</u>

In October 2018, the Company completed a sale of EIP receivables for cash proceeds of \$7.6 million, based on the exchange rate as of September 30, 2018, the proceeds of which were primarily used to repay amounts due to the EIP Buyer which had not previously been remitted.

NOTE 5 – FAIR VALUE MEASUREMENTS

The accounting guidance for fair value establishes a framework for measuring fair value that uses a three-level valuation hierarchy for disclosure of fair value measurement. The valuation hierarchy is based upon the transparency of inputs to the valuation of an asset or liability at the measurement date. The three levels are defined as follows:

- Level 1 – Quoted prices in active markets for identical assets or liabilities;
- Level 2 – Inputs other than quoted prices included within Level 1 that are either directly or indirectly observable;
- Level 3 – Unobservable inputs in which little or no market activity exists, requiring an entity to develop its own assumptions that market participants would use to value the asset or liability.

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The following tables present assets and liabilities measured at fair value on a recurring basis as of September 30, 2018 and December 31, 2017:

	Fair Value Measurement as of September 30, 2018			
	Total	Level 1	Level 2	Level 3
Assets:				
Short-term investments	\$ 3,995	\$ -	\$ 3,995	\$ -
Forward exchange contracts	1,010	-	1,010	-
Total assets	\$ 5,005	\$ -	\$ 5,005	\$ -

Liabilities:				
Warrant liability	\$ 415	\$ 415	\$ -	\$ -
Interest rate swaps	1,799	-	1,799	-
Total liabilities	\$ 2,214	\$ 415	\$ 1,799	\$ -

	Fair Value Measurement as of December 31, 2017			
	Total	Level 1	Level 2	Level 3
Assets:				
Short-term investments	\$ 24,240	\$ -	\$ 24,240	\$ -
Total assets	\$ 24,240	\$ -	\$ 24,240	\$ -

Liabilities:				
Forward exchange contracts	\$ 11	\$ -	\$ 11	\$ -
Warrant liability	6,625	6,625	-	-
Interest rate swaps	1,930	-	1,930	-
Total liabilities	\$ 8,566	\$ 6,625	\$ 1,941	\$ -

The fair value of the short-term investments is based on historical trading prices or model-driven valuations which are observable in the market or can be derived principally from or corroborated by observable market data. The fair value of forward exchange contracts is based on the differential between the contract price and the foreign currency exchange rate as of the balance sheet date. The fair value of the warrant liability is based on the quoted public market price of the warrants as of the balance sheet date. The fair value of interest rate swaps is measured using quotes obtained from a financial institution for similar financial instruments.

There were no transfers between levels within the fair value hierarchy during the nine months ended September 30, 2018.

Cash and cash equivalents, accounts receivable, deposits, accounts payable and accrued expenses are carried at cost, which approximates fair value given their short-term nature. The carrying values of EIP receivables approximate fair value as the receivables are recorded at their present value, net of unamortized imputed discount and allowance for doubtful accounts.

The estimated fair value of the Company's debt, including current maturities, was based on Level 2 inputs, being market quotes or values for similar instruments, such as interest rates currently available to the Company for the issuance of debt with similar terms and remaining maturities, used to discount the remaining principal payments. The carrying amounts and estimated fair values of our total debt as of September 30, 2018 and December 31, 2017 were as follows:

	As of September 30, 2018	As of December 31, 2017
Carrying amount, excluding unamortized discount and deferred financing costs	\$ 521,068	\$ 517,641
Fair value	\$ 523,633	\$ 519,764

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For the three and nine months ended September 30, 2018 and 2017, we did not record any material other-than-temporary impairments on financial assets required to be measured at fair value on a nonrecurring basis.

NOTE 6 – DEBT

The Company’s long-term and other debt as of September 30, 2018 and December 31, 2017 consisted of the following:

	<u>As of September 30, 2018</u>	<u>As of December 31, 2017</u>
Trilogy LLC 2022 Notes	\$ 350,000	\$ 350,000
New Zealand 2021 Senior Facilities Agreement	144,091	-
New Zealand 2019 Senior Facilities Agreement	-	136,859
Bolivian Syndicated Loan due 2021	16,691	20,655
Bolivian Bank Loan due 2022	7,000	7,000
Other	3,286	3,127
	<u>521,068</u>	<u>517,641</u>
Less: unamortized discount	(2,995)	(3,499)
Less: deferred financing costs	(7,331)	(6,890)
Total debt	510,742	507,252
Less: current portion of debt	(7,554)	(10,705)
Total long-term debt	<u>\$ 503,188</u>	<u>\$ 496,547</u>

Trilogy LLC 2022 Notes:

On May 2, 2017, Trilogy LLC closed a private offering of \$350 million aggregate principal amount of its senior secured notes due 2022 (the “Trilogy LLC 2022 Notes”). The Trilogy LLC 2022 Notes were offered to qualified institutional buyers pursuant to Rule 144A under the Securities Act of 1933, as amended (the “Securities Act”), and to non-U.S. persons in offshore transactions in reliance on Regulation S under the Securities Act.

The Trilogy LLC 2022 Notes bear interest at a rate of 8.875% per annum and were issued at 99.506% . Interest on the Trilogy LLC 2022 Notes is payable semi-annually in arrears on May 1 and November 1, beginning November 1, 2017 with interest accrued from May 2, 2017. No principal payments are due until maturity on May 1, 2022.

Trilogy LLC has the option of redeeming the Trilogy LLC 2022 Notes, in whole or in part, upon not less than 30 days’ and not more than 60 days’ prior notice as follows:

- Prior to May 1, 2019, at 100%, plus a “make whole” premium
- On or after May 1, 2019 but prior to May 1, 2020, at 104.438%
- On or after May 1, 2020 but prior to May 1, 2021, at 102.219%
- On or after May 1, 2021 at 100%

On or prior to May 1, 2019, Trilogy LLC may redeem up to 35% of the principal amount of the Trilogy LLC 2022 Notes at 108.875% plus accrued and unpaid interest on the notes being redeemed with the net cash proceeds of a public equity offering, provided that at least 65% of the original principal amount of the Trilogy LLC 2022 Notes remains outstanding immediately after the redemption.

The Trilogy LLC 2022 Notes are guaranteed by certain of Trilogy LLC’s domestic subsidiaries and are secured by a first-priority lien on the equity interests of such guarantors and a pledge of any intercompany indebtedness owed to Trilogy LLC or any such guarantor by 2degrees or any of 2degrees’ subsidiaries and certain third party indebtedness owed to Trilogy LLC by any minority shareholder in 2degrees. As of the issue date of the Trilogy LLC 2022 Notes, and as of September 30, 2018, there was no such indebtedness outstanding.

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Refinancing of Senior Facilities Agreement:

In July 2018, 2degrees completed a bank loan syndication with ING Bank N.V. (“ING”) acting as the lead arranger and underwriter. The new debt agreement (“New Zealand 2021 Senior Facilities Agreement”) has a total available commitment of \$250 million NZD (\$165.3 million based on the exchange rate at September 30, 2018).

Separate facilities are provided under this agreement to (i) repay the outstanding balance of the \$200 million NZD prior senior facilities agreement (“New Zealand 2019 Senior Facilities Agreement”) and pay fees and expenses associated with the refinancing (\$195 million NZD), (ii) provide funds for further investments in 2degrees’ business (\$35 million NZD), and (iii) fund 2degrees’ working capital requirements (\$20 million NZD). As of September 30, 2018, the \$195 million NZD facility (\$128.9 million based on the exchange rate at September 30, 2018) was fully drawn, \$10 million NZD (\$6.6 million based on the exchange rate at September 30, 2018) was drawn on the facility for further investments and \$13 million NZD (\$8.6 million based on the exchange rate at September 30, 2018) was drawn on the working capital facility. The borrowings and repayments under these facilities, including the recurring activity relating to working capital, are included separately as Proceeds from debt and Payments of debt within Net cash provided by financing activities in the Condensed Consolidated Statements of Cash Flows.

The New Zealand 2021 Senior Facilities Agreement also provides for an uncommitted \$35 million NZD accordion facility which, after commitments are obtained, can be utilized in the future to fund capital expenditures. The New Zealand 2021 Senior Facilities Agreement has a 3-year term, maturing on July 31, 2021.

The outstanding debt drawn under the New Zealand 2021 Senior Facilities Agreement accrues interest quarterly at the New Zealand Bank Bill Reference Rate (“BKBM”) plus a margin ranging from 2.40% to 3.80% (“Margin”) depending upon 2degrees’ net leverage ratio at that time. The weighted average interest rate on the outstanding balance of all drawn facilities was 5.28% as of September 30, 2018.

Additionally, a commitment fee at the rate of 40% of the applicable Margin is payable quarterly on all undrawn and available commitments. As of September 30, 2018, the commitment fee rate was 1.32% .

Distributions from 2degrees will be subject to free cash flow tests (as defined in the New Zealand 2021 Senior Facilities Agreement) calculated at half year and full year intervals. There is no requirement to make prepayments of principal from 2degrees’ free cash flows. The outstanding debt may be prepaid without penalty at any time. Once a year, beginning in 2019, at least six months apart, 2degrees must reduce the outstanding balance of the working capital facility to zero for a period of not less than five consecutive business days.

The New Zealand 2021 Senior Facilities Agreement contains certain financial covenants requiring 2degrees to:

- maintain a total interest coverage ratio (as defined in the New Zealand 2021 Senior Facilities Agreement) of not less than 3.0 times;
- maintain a net leverage ratio (as defined in the New Zealand 2021 Senior Facilities Agreement) of not greater than 3.0 times from closing to June 30, 2019, not greater than 2.75 times from July 1, 2019 to June 30, 2020; and 2.50 times thereafter; and
- not exceed 110% of the agreed to annual capital expenditures (as defined in the New Zealand 2021 Senior Facilities Agreement) in any financial year.

The New Zealand 2021 Senior Facilities Agreement also contains other customary representations, warranties, covenants and events of default and is secured (in favor of an independent security trustee) by substantially all of the assets of 2degrees.

The refinancing of the New Zealand 2019 Senior Facilities Agreement was analyzed and accounted for on a lender-by-lender basis under the syndicated debt model in accordance with the applicable accounting guidance for evaluating modifications, extinguishments and new issuances of debt. Accordingly, of the \$8.4 million NZD (\$5.7 million based on the average exchange rate in the month of payment) in fees and expenses related to the New Zealand 2021 Senior Facilities Agreement, \$2.8 million NZD (\$2.1 million based on the average exchange rate in the month of payment) was recorded as a deferred financing cost and is included as a reduction within Long-term debt on the Condensed Consolidated Balance Sheet as of September 30, 2018. The remaining \$5.6 million NZD (\$3.7 million based on the average exchange rate in the month of payment) of fees paid to lenders and third parties in connection with the refinancing was recorded as Debt modification and extinguishment costs in the Condensed Consolidated Statements of Operations and Comprehensive Loss during the third quarter of 2018. The unamortized balance of the deferred financing costs associated with the New Zealand 2021 Senior Facilities Agreement is amortized to Interest expense using the effective interest method over the term of the New Zealand 2021 Senior Facilities Agreement.

Additionally, as a result of the refinancing, \$0.7 million NZD (\$0.5 million based on the average exchange rate in the month of refinancing) of unamortized deferred financing costs previously outstanding was expensed to Debt modification and extinguishment costs in the Condensed Consolidated Statements of Operations and Comprehensive Loss during the third quarter of 2018.



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Covenants:

As of September 30, 2018, the Company was in compliance with all of its debt covenants.

NOTE 7 – DERIVATIVE FINANCIAL INSTRUMENTS

Interest Rate Swaps:

2degrees enters into various interest rate swap agreements to fix its future interest payments under the senior facilities agreements. Under these agreements, 2degrees principally receives a variable amount based on the BKBM and pays a fixed amount based on fixed rates ranging from 2.290% to 4.610%. Settlement in cash occurs quarterly until termination and the variable interest rate is reset on the first day of each calendar quarter. These derivative instruments have not been designated for hedge accounting, thus changes in the fair value are recognized in earnings in the period incurred. The fair value of these contracts, included in Other non-current liabilities, was \$1.8 million and \$1.9 million as of September 30, 2018 and December 31, 2017, respectively. As of September 30, 2018, the total notional amount of these agreements was \$167.5 million NZD (\$110.7 million based on the exchange rate as of September 30, 2018). The agreements have effective dates from June 30, 2015 through June 30, 2020 and termination dates from June 28, 2019 to June 30, 2022. During the nine months ended September 30, 2018, interest rate swap agreements with a total notional amount of \$35.0 million NZD (\$23.1 million based on the exchange rate as of September 30, 2018) matured.

Summarized financial information for all of the aforementioned derivative financial instruments is shown below:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Non-cash (loss)/gain from change in fair value recorded in Other, net	\$ (441)	\$ (475)	\$ (947)	\$ (1,255)
(Loss)/gain reclassified from comprehensive income (loss) to Other, net	\$ -	\$ -	\$ -	\$ (118)
Net cash settlement	\$ (259)	\$ (347)	\$ (957)	\$ (1,265)

Forward Exchange Contracts:

At September 30, 2018, 2degrees had short-term forward exchange contracts to sell an aggregate of \$22.7 million NZD and buy an aggregate of \$16.0 million USD to manage exposure to fluctuations in foreign currency exchange rates. During the nine months ended September 30, 2018, short-term forward exchange contracts to sell an aggregate of \$47.7 million NZD and \$4.0 million USD and buy an aggregate of \$5.8 million NZD and \$34.0 million USD matured. These derivative instruments are not designated for hedge accounting, thus changes in the fair value are recognized in earnings in the period incurred. A foreign exchange loss of \$0.3 million and a gain of \$1.1 million was recognized in Other, net during the three and nine months ended September 30, 2018, respectively. A foreign exchange gain of \$1.0 million and a loss of \$0.6 million was recognized in Other, net during the three and nine months ended September 30, 2017, respectively. The Company had assets, included in Prepaid expenses and other current assets, for estimated settlements under these forward exchange contracts of \$1.0 million as of September 30, 2018. The estimated settlements under these forward exchange contracts were not material as of December 31, 2017.

NOTE 8 – EQUITY-BASED COMPENSATION

TIP Inc. Restricted Share Units:

During the nine months ended September 30, 2018, TIP Inc. granted a total of 990,374 restricted share units (“RSUs” or “Awards”) to officers and employees under plans pursuant to which vesting is subject to meeting certain performance or time-based criteria. RSUs entitle the grantee to receive common shares of TIP Inc. (the “Common Shares”) at the end of a specified vesting period, subject to continued service through the applicable vesting date, and certain Company performance obligations for performance-based awards.

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A portion of the RSU grants consisted of awards that combine time-based elements with performance-based elements, which entitle the holder to receive a number of Common Shares that varies based on the Company's performance against the service revenues (defined as Total revenues less Equipment sales) or Adjusted EBITDA performance goals for calendar year 2018. The estimated equity-based compensation expense attributable to performance-based RSUs is updated quarterly. The total number of RSUs granted includes these performance-based awards and assumes that the performance goals will be achieved. The number of RSUs is updated upon completion of each applicable fiscal year when a final determination is made as to whether the performance goals have been achieved. These performance-based RSUs vest on a straight-line basis over a four-year employment period. The remaining RSUs were granted to officers and employees as time-based awards, which vest on a straight-line basis over a four-year service period.

Equity-based compensation expense is generally recognized on a straight-line basis over the requisite service period; however, exceptions include awards with an accelerated vesting schedule and updated estimates of achievement against performance goals for performance-based awards. On June 30, 2018, 403,118 RSUs vested on the one-year anniversary of grants made in 2017. In July 2018, 357,684 shares, net of the monetary equivalent of shares necessary for the payment of related taxes, were issued in settlement of such vested RSUs. As of September 30, 2018, 1,683,577 RSUs were unvested and unrecognized compensation expense relating to RSUs is approximately \$7.2 million, including \$2.9 million relating to grants made in 2018. These amounts reflect time-based vesting along with estimated future expense with respect to certain performance-based awards.

Effective January 1, 2018, we early adopted the ASU 2016-09 accounting guidance that allows for the accounting of forfeitures of share-based awards when they occur, which is the Company's policy as of the adoption date. The adoption of this guidance did not have a material impact on the Condensed Consolidated Financial Statements.

2degrees Option Plans:

During the first quarter of 2018, 2degrees granted a total of 3.6 million service-based share options (the "Options") to employees under a plan whose vesting is subject to meeting a required service period of up to two years. Equity-based compensation expense is recognized on a straight-line basis over the service period for these grants.

The following table summarizes the assumptions used in the Black-Scholes valuation model for options granted in the first quarter of 2018:

Expected volatility	25%
Expected term (in years)	2.75 - 3.94
Risk free interest rate	1.99% - 2.09%
Expected dividend yield	0%

The expected term of the Options was determined based upon the historical experience of similar awards, giving consideration to the contractual terms, vesting schedules and expectations of future option holder behavior. The risk-free interest rates used were based on the implied yield currently available in New Zealand Government bonds, adjusted for semi-annual coupons and converted to continuously compounded rates, with a term equivalent to the remaining life of the Options as of the date of the valuation. Expected volatility was based on average volatilities of publicly traded peer companies over the expected term. 2degrees has not paid dividends in the past and does not currently have plans to pay dividends.

During the second quarter of 2018, 2degrees modified approximately 9.8 million of its outstanding employee options and extended the expiration date of those options to May 31, 2021. The options previously had expiration dates ranging from 2018 to 2020. No other terms of the options were modified. As a result of this modification, 2degrees recognized approximately \$0.7 million of additional equity-based compensation expense, included within General and administrative expenses, in the three months ended June 30, 2018, in accordance with the guidance for modifications of equity awards within Accounting Standards Codification 718 "Stock Compensation".

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NOTE 9 – EQUITY

TIP Inc. Capital Structure

TIP Inc.'s authorized share structure consists of two classes of shares, namely Common Shares and one special voting share (the "Special Voting Share") as follows:

TIP Inc. Common Shares:

TIP Inc. is authorized to issue an unlimited number of Common Shares with no par value. As of September 30, 2018, TIP Inc. had 55,668,332 Common Shares outstanding, reflecting an increase of 1,852,701 Common Shares issued during the nine months ended September 30, 2018 as a result of Trilogy LLC Class C Units (the "Class C Units") being redeemed for Common Shares and the issuance of Common Shares in July 2018 for vested RSUs and in May 2018 pursuant to TIP Inc.'s dividend reinvestment plan. Holders of Common Shares are entitled to one vote for each share held on matters submitted to a vote for shareholders. Holders of Common Shares and the Special Voting Share, described below, vote together as a single class, except as provided in the Business Corporation Act (British Columbia), by law or by stock exchange rules.

Holders of Common Shares are entitled to receive dividends as and when declared by the board of directors of TIP Inc. (the "TIP Inc. Board"). In the event of the dissolution, liquidation or winding-up of TIP Inc., whether voluntary or involuntary, or any other distribution of assets of TIP Inc. among its shareholders for the purpose of winding up its affairs, the holders of Common Shares shall be entitled to receive the remaining property and assets of TIP Inc. after satisfaction of all liabilities and obligations to creditors of TIP Inc. and after \$1.00 Canadian dollars ("C\$") is distributed to the holder of the Special Voting Share.

In connection with the Arrangement Agreement, certain holders of Common Shares entered into lock-up agreements with TIP Inc. (the "Lock-Up Agreements"). Pursuant to the Lock-Up Agreements, each locked-up shareholder agreed that it would not during specified periods, without the prior written consent of TIP Inc., sell, assign, pledge, dispose of, or transfer any equity securities of TIP Inc. or Trilogy LLC, or enter into any swap, forward or other arrangement that transfers all or a portion of the economic consequences associated with the ownership of Common Shares. As of September 30, 2018, 5,748,383 Common Shares were locked-up pursuant to Lock-Up Agreements expiring on February 7, 2019.

During the nine months ended September 30, 2018, the lock-up period expired with respect to 5,585,927 Common Shares. See "Trilogy LLC Capital Structure; Class C Units" below for lock-up periods applicable to Common Shares which may be issued upon redemption of such units.

As of September 30, 2018, TIP Inc. holds a 66.2% economic ownership interest in Trilogy LLC through its wholly owned subsidiary, Trilogy International Partners Intermediate Holdings Inc. ("Trilogy Intermediate Holdings"). The 1.8% increase in TIP Inc.'s economic ownership interest in Trilogy LLC during the nine months ended September 30, 2018 is primarily attributable to the issuance of Common Shares upon redemption of Class C Units.

Special Voting Share of TIP Inc.:

TIP Inc. has one issued and outstanding Special Voting Share held by a trustee. Holders of Class C Units, as described below, are entitled to exercise voting rights in TIP Inc. through the Special Voting Share on a basis of one vote per Class C Unit held. At such time as there are no Class C Units outstanding, the Special Voting Share shall be redeemed and cancelled for C\$1.00 to be paid to the holder thereof.

The holder of the Special Voting Share is not entitled to receive dividends. In the event of the dissolution, liquidation or winding-up of TIP Inc., whether voluntary or involuntary, the holder of the Special Voting Share is entitled to receive C\$1.00 after satisfaction of all liabilities and obligations to creditors of TIP Inc. but before the distribution of the remaining property and assets of TIP Inc. to the holders of Common Shares.

Warrants:

At September 30, 2018, TIP Inc. had 13,402,685 warrants outstanding. Each warrant entitles the holder to purchase one Common Share at an exercise price of C\$11.50, subject to normal anti-dilution adjustments. The warrants expire on February 7, 2022.

As of February 7, 2017, the date of consummation of the Arrangement, TIP Inc.'s issued and outstanding warrants were reclassified from equity to liability, as the warrants are written options that are not indexed to Common Shares. The fair value of the warrants was based on the number of warrants and the closing quoted public market prices of the warrants. The offsetting impact is reflected within Accumulated deficit as a result of the reduction of Additional paid in capital to zero with the allocation of opening equity due to the Arrangement. The warrant liability is recorded in Other current liabilities and accrued expenses on the Condensed Consolidated Balance Sheets. The amount of the warrant liability was \$0.4 million and \$6.6 million as of September 30, 2018 and December 31, 2017, respectively. The warrant liability is marked-to-market each reporting period with the changes in fair value recorded as a gain or loss in the Condensed Consolidated Statements of Operations and Comprehensive Loss. The Company will continue to classify the fair value of the warrants as a liability until the warrants are exercised or expire.

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Forfeitable Founders Shares:

At September 30, 2018, the Company had 1,675,336 Common Shares (“Forfeitable Founders Shares”) issued and outstanding that are subject to forfeiture on February 7, 2022, unless the closing price of Common Shares exceeds C\$13.00 (as adjusted for stock splits or combinations, stock dividends, reorganizations, or recapitalizations) for any 20 trading days within a 30 day-trading-day period.

Dividend Paid:

In May 2018, TIP Inc. paid a dividend of C\$0.02 per Common Share. The dividend was declared on April 2, 2018 and paid to common shareholders of record as of April 16, 2018. Eligible Canadian holders of Common Shares who participated in the Company’s dividend reinvestment plan had the right to acquire additional Common Shares at 95% of the volume-weighted average price of the Common Shares on the Toronto Stock Exchange for the five trading days immediately preceding the dividend payment date, by reinvesting their cash dividends, net of applicable taxes. As a result of shareholder participation in the dividend reinvestment plan, 34,734 Common Shares were issued to existing shareholders. A total cash dividend of \$0.7 million was paid to shareholders that did not participate in the dividend reinvestment plan and the cash payment was recorded as financing activities in the Condensed Consolidated Statement of Cash Flows for the nine months ended September 30, 2018.

Concurrently with the issuance of the TIP Inc. dividend, in accordance with the Trilogy LLC amended and restated Limited Liability Company agreement (the “Trilogy LLC Agreement”), a dividend in the form of 137,256 additional Class C Units was issued on economically equivalent terms to the holders of Trilogy LLC Class C Units.

Trilogy LLC Capital Structure

The equity interests in Trilogy LLC consist of three classes of units (the “Trilogy LLC Units”) as follows:

Class A Units:

The Class A Units of Trilogy LLC (“Class A Units”) possess all the voting rights under the Trilogy LLC Agreement, have nominal economic value and therefore have no rights to participate in the appreciation of the economic value of Trilogy LLC. All of the Class A Units are indirectly held by TIP Inc., through a wholly owned subsidiary, Trilogy International Partners Holdings (US) Inc. (“Trilogy Holdings”). Trilogy Holdings, the managing member of Trilogy LLC, acting through its TIP Inc. appointed directors, has full and complete authority, power and discretion to manage and control the business, affairs, and properties of Trilogy LLC, subject to applicable law and restrictions per the Trilogy LLC Agreement. As of September 30, 2018, there were 157,682,319 Class A Units outstanding.

Class B Units:

TIP Inc. indirectly holds the Class B Units of Trilogy LLC (the “Class B Units”) through Trilogy Intermediate Holdings. The Class B Units represent TIP Inc.’s indirect economic interest in Trilogy LLC under the Trilogy LLC Agreement and are required at all times to be equal to the number of outstanding Common Shares. As of September 30, 2018, there were 55,668,332 Class B Units outstanding, reflecting an increase of 1,852,701 Class B Units issued during the nine months ended September 30, 2018 as a result of Class C Unit redemptions for Common Shares and the issuance of Common Shares in July 2018 for vested RSUs and in May 2018 pursuant to TIP Inc.’s dividend reinvestment plan. The economic interests of the Class B Units in Trilogy LLC are pro rata with the Class C Units.

Class C Units:

The Class C Units are held by persons who were members of Trilogy LLC immediately prior to consummation of the Arrangement. The economic interests of the Class C Units are pro rata with the Class B Units. Following the expiration of the lock-up period set forth in the Lock-Up Agreements signed by each Class C Unit holder, the holder has the right to require Trilogy LLC to redeem any or all Class C Units held by such holder for either Common Shares or a cash amount equal to the fair market value of such Common Shares, the form of consideration to be determined by Trilogy LLC. As of September 30, 2018, all redemptions have been settled in the form of Common Shares. Class C Units have voting rights in TIP Inc. through the Special Voting Share on a basis of one vote per Class C Unit held. As of September 30, 2018, there were 28,389,414 Class C Units outstanding, reflecting a decrease of 1,274,999 Class C Units outstanding primarily due to redemptions of Class C Units during the nine months ended September 30, 2018. Additionally, there were 144,098 remaining unvested restricted Class C Units as of September 30, 2018, which were originally granted to an employee on December 31, 2016. These restricted Class C Units vest over a 4-year period, with one-fourth of the award vesting on the day following each anniversary date of the award based on the employee’s continued service. There are no voting rights or right to receive distributions prior to vesting for these unvested Class C Units.

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As of September 30, 2018, 8,677,753 Class C Units were locked-up pursuant to Lock-Up Agreements expiring on February 7, 2019.

During the nine months ended September 30, 2018, the lock-up period expired with respect to 8,697,835 Class C Units.

NOTE 10 – EARNINGS PER SHARE

Basic and diluted earnings per share are computed using the two-class method, which is an earnings allocation method that determines earnings per share for Common Shares and participating securities. The undistributed earnings are allocated between Common Shares and participating securities as if all earnings had been distributed during the period. Participating securities and Common Shares have equal rights to undistributed earnings. Basic earnings per share is calculated by dividing net earnings, less earnings available to participating securities, by the basic weighted average Common Shares outstanding. Diluted earnings per share is calculated by dividing attributable net earnings by the weighted average number of Common Shares plus the effect of potential dilutive Common Shares outstanding during the period. In calculating diluted net loss per share, the numerator and denominator are adjusted, if dilutive, for the change in fair value of the warrant liability and the number of potentially dilutive Common Shares assumed to be outstanding during the period using the treasury stock method. No adjustments are made when the warrants are out of the money.

For the three and nine months ended September 30, 2018, the warrants were out of the money and no adjustment was made to exclude the gain recognized by TIP Inc. for the change in fair value of the warrant liability. A gain of \$0.9 million and \$6.1 million resulted from the change in fair value of the warrant liability for the three and nine months ended September 30, 2018, respectively. These gains reduced the net loss attributable to TIP Inc. along with the resulting basic loss per share and, therefore, resulted in the Class C Units being dilutive when included as if redeemed. The change in fair value of the warrant liability for the three months ended September 30, 2017 was not significant and for the period from February 7, 2017 to September 30, 2017, was \$3.5 million.

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The components of basic and diluted earnings per share were as follows:

	<u>Three Months Ended September 30,</u>		<u>Nine Months Ended</u>	<u>Period February</u>
	<u>2018</u>	<u>2017</u>	<u>September 30,</u>	<u>7, 2017 through</u>
			<u>2018</u>	<u>September 30,</u>
				<u>2017</u>
<i>(in thousands, except per share amounts)</i>				
Basic EPS:				
Numerator:				
Net loss attributable to TIP Inc.	\$ (8,364)	\$ (4,145)	\$ (16,282)	\$ (15,599)
Denominator:				
Basic weighted average Common Shares outstanding	54,042,355	42,764,260	53,239,125	42,608,538
Net loss per share:				
Basic	\$ (0.15)	\$ (0.10)	\$ (0.31)	\$ (0.37)
Diluted EPS:				
Numerator:				
Net loss attributable to TIP Inc.	\$ (8,364)	\$ (4,145)	\$ (16,282)	\$ (15,599)
Add back: Net loss attributable to Class C Units – Redeemable for Common Shares	\$ (4,399)	\$ -	\$ (10,271)	\$ (15,816)
Net loss attributable to TIP Inc. and Class C Units	\$ (12,763)	\$ (4,145)	\$ (26,553)	\$ (31,415)
Denominator:				
Basic weighted average Common Shares outstanding	54,042,355	42,764,260	53,239,125	42,608,538
Effect of dilutive securities:				
Weighted average Class C Units – Redeemable for Common Shares	28,389,617	-	28,867,350	39,121,048
Diluted weighted average Common Shares outstanding	82,431,972	42,764,260	82,106,475	81,729,586
Net loss per share:				
Diluted	\$ (0.15)	\$ (0.10)	\$ (0.32)	\$ (0.38)

The following table indicates the weighted average dilutive effect of Common Shares that may be issued in the future. These Common Shares were not included in the computation of diluted earnings per share for the three and nine months ended September 30, 2018, the three months ended September 30, 2017 and the period from February 7, 2017 through September 30, 2017 because the effect was either anti-dilutive or the conditions for vesting were not met:

	<u>Three Months Ended</u>		<u>Nine Months Ended</u>	<u>Period February</u>
	<u>September 30,</u>	<u>September 30,</u>	<u>September 30,</u>	<u>7, 2017 through</u>
	<u>2018</u>	<u>2017</u>	<u>2018</u>	<u>September 30,</u>
				<u>2017</u>
Trilogy LLC Class C Units	-	39,040,465	-	-
Warrants	13,402,685	13,402,685	13,402,685	13,402,685
Forfeitable shares	1,675,336	1,675,336	1,675,336	1,675,336
Unvested restricted share units	1,684,191	1,416,214	1,672,780	674,962
Unvested Class C Units	144,098	192,130	144,098	192,130
Common Shares excluded from calculation of diluted net loss	<u>16,906,310</u>	<u>55,726,830</u>	<u>16,894,899</u>	<u>15,945,113</u>

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NOTE 11 – ACCUMULATED OTHER COMPREHENSIVE INCOME

A summary of the components of Accumulated other comprehensive income is presented below:

	<u>As of September 30, 2018</u>	<u>As of December 31, 2017</u>
Cumulative foreign currency translation adjustment	\$ 2,540	\$ 6,058
Unrealized gain on short-term investments	14	1
Total accumulated other comprehensive income	<u>\$ 2,554</u>	<u>\$ 6,059</u>

NOTE 12 – NONCONTROLLING INTERESTS IN CONSOLIDATED SUBSIDIARIES

Noncontrolling interests represent the equity ownership interests in consolidated subsidiaries not owned by the Company. Noncontrolling interests are adjusted for contributions, distributions, and income and loss attributable to the noncontrolling interest partners of the consolidated entities. Income and losses are allocated to the noncontrolling interests based on the respective governing documents.

There are noncontrolling interests in certain of the Company’s consolidated subsidiaries. The noncontrolling interests are summarized as follows:

	<u>As of September 30, 2018</u>	<u>As of December 31, 2017</u>
2degrees	\$ 18,871	\$ 22,321
NuevaTel	50,532	55,028
Trilogy International Partners LLC	(34,119)	(23,340)
Salamanca Solutions International LLC	(672)	(619)
Noncontrolling interests	<u>\$ 34,612</u>	<u>\$ 53,390</u>

Supplemental Cash Flow Disclosure:

During the nine months ended September 30, 2018, NuevaTel declared and paid dividends to a noncontrolling interest of \$6.8 million. The dividends were recorded as financing activity in the Condensed Consolidated Statement of Cash Flows for the nine months ended September 30, 2018.

NOTE 13 – COMMITMENTS AND CONTINGENCIES

Commitments:

The disclosure of purchase commitments in these Condensed Consolidated Financial Statements should be read in conjunction with the Consolidated Financial Statements and related notes for the year ended December 31, 2017. The disclosures below relate to purchase commitments with significant events occurring during the nine months ended September 30, 2018.

New Zealand:

Huawei

As of September 30, 2018, 2degrees had an outstanding commitment with Huawei Technologies (New Zealand) Company Limited (“Huawei”) through 2020 for technical support and spare parts maintenance, software upgrades, products, and professional services in the aggregate amount of \$19.7 million, based on the exchange rate at September 30, 2018. This commitment is based upon cell sites on air as of September 30, 2018 and will be updated quarterly to reflect new site additions. This commitment also assumes that in 2020, upon termination of the agreement, 2degrees will purchase the existing software license from Huawei.

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2degrees also has submitted purchase orders to Huawei in the amount of \$7.2 million, based on the exchange rate at September 30, 2018, for other equipment and services, which 2degrees expects to be fulfilled during the fourth quarter of 2018.

Tech Mahindra Limited

In March 2018, 2degrees signed an agreement with Tech Mahindra Limited (“Tech Mahindra”) for software support services. As of September 30, 2018, the aggregate outstanding obligation under such agreement and other purchase orders submitted to Tech Mahindra for other equipment and services, based on the exchange rate at that date, was approximately \$3.6 million through 2021.

Handsets

In October 2016, 2degrees signed a purchase agreement, effective as of August 1, 2016, with a handset manufacturer that requires 2degrees to purchase a minimum number of handsets per quarter for three years (beginning with the third quarter of 2016). As part of the purchase agreement, 2degrees has committed to allocate \$1.3 million NZD (\$0.9 million based on the exchange rate at September 30, 2018) of its advertising budget per contract year to related marketing. As of September 30, 2018, the outstanding obligation for handset purchases under this purchase agreement, based on the exchange rate at that date, was approximately \$1.1 million, which 2degrees expects to be fulfilled during the fourth quarter of 2018. The commitment has not been reduced for potential rebates.

Bolivia:

In December 2016, NuevaTel signed an agreement with Telefónica Celular de Bolivia S.A. (“Telecel”) pursuant to which Telecel provides NuevaTel an Indefeasible Right to Use of its existing and future capacity to transport national telecommunications data. This purchase commitment expires in 2031. As of September 30, 2018, the minimum purchase commitment with Telecel was \$21.0 million.

NuevaTel also has purchase commitments through 2027 of \$34.2 million with various vendors to acquire telecommunications equipment, support services, inventory and advertising which have not changed significantly individually from the year ended December 31, 2017.

Contingencies:

General:

The financial statements reflect certain assumptions based on telecommunications laws, regulations and customary practices currently in effect in the countries in which the Company’s subsidiaries operate. These laws and regulations can have a significant influence on the Company’s results of operations and are subject to change by the responsible governmental agencies. The Company assesses the impact of significant changes in laws, regulations and political stability on a regular basis and updates the assumptions and estimates used to prepare its financial statements when deemed necessary. However, the Company cannot predict what future laws and regulations might be passed or what other events might occur that could have a material effect on its investments or results of operations. In particular, Bolivia has experienced, or may experience, political and social instability.

In addition to issues specifically discussed elsewhere in this Note to our Condensed Consolidated Financial Statements, the Company is a party to various lawsuits, regulatory proceedings and other matters arising in the ordinary course of business. Management believes that although the outcomes of these proceedings are uncertain, any liability ultimately arising from these actions should not have a material adverse impact on the Company’s financial condition, results of operations, or cash flows. The Company has accrued for any material contingencies where the Company’s management believes the loss is probable and estimable.

Bolivian Regulatory Matters:

Under the Bolivian Telecommunications Law, carriers must negotiate new licenses (to replace their existing concessions) with the government. Both the law and the Bolivian constitution specify that carriers’ vested rights under their existing concessions will be preserved; however, the Company cannot guarantee that these protections will be respected by the Bolivian government. The Autoridad de Regulación y Fiscalización de Telecomunicaciones y Transportes de Bolivia (“ATT”) migrated the original concessions of Entel and Tigo, wireless competitors to NuevaTel, to new licenses in 2016 in conjunction with renewing their original concessions that were due to expire. In early 2016, the ATT also issued a proposed replacement contract template to NuevaTel that purportedly incorporates provisions of the licenses accepted by Entel and Tigo. NuevaTel has submitted comments on the draft to the ATT and is in discussions with the ATT regarding revisions to the draft. The Company is uncertain whether any of NuevaTel’s proposed revisions will be accepted by the ATT, whether a proposed replacement license will be offered by the ATT to NuevaTel, whether the terms of any replacement license that the ATT may offer will fully respect NuevaTel’s vested rights under its existing concession, or whether a replacement license will eliminate the need for NuevaTel to seek a license renewal at the time its existing concession is scheduled to expire in November 2019.

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NuevaTel's network has experienced several network outages affecting voice and 3G and 4G data services both locally and nationally over the past several years, and outages continue to occur from time to time due to a variety of causes; some of these outages relate to equipment failures or malfunctions within NuevaTel's network and some outages are the result of failures or service interruptions on communications facilities (e.g. fiber optics lines) leased by NuevaTel from other carriers. NuevaTel has voluntarily compensated the customers affected by several of these outages. As to most of these outages, the ATT is investigating if the outages were unforeseen or were events that could have been avoided by NuevaTel, and, if avoidable, whether penalties should be imposed. The ATT investigated an August 2015 outage (in the town of San José de Chiquitos) and imposed a fine of \$4.5 million against NuevaTel in 2016. NuevaTel appealed the ATT's decision on the basis that the interruption was attributable to a force majeure event. The fine was rescinded by the ATT and then reimposed on different grounds. In June 2017, the Ministry of Public Works, Services and Housing (the "Ministry") vacated the fine, but allowed the ATT to reinstate the penalty provided it could establish that NuevaTel was responsible for the service interruption. The ATT has reinstated the penalty, although it has noted in its findings that the outage was a force majeure event, and NuevaTel filed another appeal to the Ministry. In September 2018, the Ministry notified NuevaTel that it rejected the appeal and that NuevaTel would be required to pay the \$4.5 million fine plus interest. NuevaTel accrued \$4.5 million in the third quarter of 2018 within Other non-current liabilities as presented in the Condensed Consolidated Balance Sheet as of September 30, 2018 and the expense recorded in Other, Net in the Condensed Consolidated Statements of Operations and Comprehensive Loss for the three and nine months then ended. NuevaTel intends to appeal the Ministry's decision to the Supreme Tribunal of Justice.

In April 2013, the ATT notified NuevaTel that it proposed to assess a fine of \$2.2 million against NuevaTel for delays in making repairs to public telephone equipment in several Bolivian cities in 2010. NuevaTel accrued the full amount of the fine plus interest of approximately \$0.1 million but also filed an appeal with the Supreme Court in regard to the manner in which the fine was calculated. In December 2017, the court rescinded the fine on procedural grounds but permitted the ATT to impose a new fine. If the ATT does so, NuevaTel will have the right to discharge the fine by paying half of the stated amount of the penalty on condition that NuevaTel foregoes any right of appeal. NuevaTel has not decided as what action it may take in such event.

Since 2012, NuevaTel has offered to its customers a loyalty program known as "Fidepuntos", a customer-rewards program that grants points for service consumption and tenure, designed to increase loyalty, develop stronger relationships between customers and NuevaTel and reduce churn. Beginning in January 2018, the Fidepuntos program came under the jurisdiction and regulation of the Bolivian gaming authority, the Autoridad de Fiscalización del Juego ("AJ"). NuevaTel elected to discontinue its Fidepuntos program in February 2018 and subsequently launched a short-term loyalty program that is expected to retire all outstanding redemption obligations associated with the discontinued Fidepuntos program at a cost of no more than \$1.0 million. The AJ approved the short-term program and has not objected or otherwise commented on the discontinuation of the Fidepuntos program. As of September 30, 2018, there was no remaining liability related to the Fidepuntos program as the program ended with all obligations satisfied during the third quarter of 2018. The Fidepuntos program liability was reduced by \$1.0 million and \$4.8 million during the three and nine months ended September 30, 2018, respectively, in connection with satisfying remaining obligations and reversing expenses that were previously recognized but not incurred due to the completion of the program and satisfaction of outstanding obligations.

NOTE 14 – INCOME TAXES

As of December 31, 2017, the Company had income tax net operating loss ("NOL") carryforwards related to our international operations in New Zealand of approximately \$55 million. The deferred tax asset associated with these NOLs has been offset by a full valuation allowance which continues to be evaluated based on the historical financial performance of the business, future forecasted performance and other relevant factors. These tax losses carry forward indefinitely provided that shareholder continuity requirements are met. As discussed in Note 9 – Equity, certain Class C Units were redeemed for Common Shares of TIP Inc. during the nine months ended September 30, 2018. The redemption of Class C Units for Common Shares or sale of Common Shares by the holders may impact shareholder continuity requirements associated with the New Zealand NOLs. The Company will continue to assess the recoverability of the NOL carryforwards based on the shareholder continuity requirements as the Class C Units redemption activities become known and are analyzed.

TRILOGY INTERNATIONAL PARTNERS INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(US dollars in thousands unless otherwise noted)
(unaudited)

On August 1, 2017, 2degrees transferred its network assets to a wholly owned subsidiary and entered into a transaction to separate the 2degrees network assets from the 2degrees retail operations business to allow for flexibility in future operations and strategic business activities. Assets transferred in this network company transaction included network equipment, cell sites, network licenses and spectrum licenses. This intercompany transaction also resulted in a taxable gain that utilized a portion of the existing 2degrees NOL carryforwards as of the transaction date and resulted in asset values at the new network company that have an increased tax basis. As discussed in Note 1 – Description of Business, Basis of Presentation and Summary of Significant Accounting Policies, the Company adopted an accounting standard that modified the accounting for income tax consequences of intra-entity transfers of assets other than inventory during the nine months ended September 30, 2018. As a result of this accounting standard adoption and the increase to the tax bases of the assets transferred in the network company transaction, deferred tax assets of approximately \$24 million were recorded along with a corresponding full valuation allowance. There was no cumulative adjustment to retained earnings or impact on the Condensed Consolidated Financial Statements due to the full valuation allowance on the recorded deferred tax assets.

On December 22, 2017, H.R. 1, commonly known as the Tax Cuts and Jobs Act (the “Tax Act”), was enacted in the U.S. Given the significance of the legislation, the Securities and Exchange Commission staff issued Staff Accounting Bulletin No. 118 (SAB 118), which allowed registrants to initially record provisional amounts and adjust these amounts during the measurement period not to exceed one year from the enactment date. During the measurement period, impacts of the law are expected to be recorded at the time a reasonable estimate for all or a portion of the effects can be made, and provisional amounts can be recognized and adjusted as information becomes available, prepared or analyzed.

Due to the interplay between the Arrangement and the implications of the one-time tax on unremitted earnings, the Company evaluated the impact on its income tax liability associated with this provision of the new law as it relates to the use of certain foreign tax credits. Specifically, foreign tax credits were evaluated to determine if they were limited for use as an offset to the one-time tax on unremitted earnings related to NuevaTel. The foreign tax credits have historically been subject to a full valuation allowance as there had been no assurance of their realization and use prior to the passing of the Tax Act. The Company completed its analysis and calculations during the three months ended September 30, 2018. No material adjustments were required to the Company’s net current and deferred tax accounts as a result of this analysis, and there was no material liability associated with the one-time tax on unremitted earnings due to the ability to use the foreign tax credit carryovers. Any other impact of the Tax Act was immaterial for the three and nine months ended September 30, 2018 due to the full valuation allowance on U.S. deferred tax assets and the nature and amount of foreign earnings for the period.

NOTE 15 – SEGMENT INFORMATION

We determine our reportable segments based on the manner in which our Chief Executive Officer, considered to be the chief operating decision maker (“CODM”), regularly reviews our operations and performance. Segment information is prepared on the same basis that our CODM manages the segments, evaluates financial results, allocates resources, and makes key operating decisions.

The table below presents financial information for our reportable segments and reconciles total segment Adjusted EBITDA to Loss before income taxes:

TRILOGY INTERNATIONAL PARTNERS INC.
NOTES TO THE CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(US dollars in thousands unless otherwise noted)
(unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2018	2017	2018	2017
Revenues				
New Zealand	\$ 129,623	\$ 125,825	\$ 408,158	\$ 376,897
Bolivia	60,536	65,871	182,443	199,245
Unallocated Corporate & Eliminations	265	87	623	304
Total revenues	<u>\$ 190,424</u>	<u>\$ 191,783</u>	<u>\$ 591,224</u>	<u>\$ 576,446</u>
Segment Adjusted EBITDA				
New Zealand	\$ 23,755	\$ 20,928	\$ 64,582	\$ 64,415
Bolivia	16,866	18,700	52,096	61,119
Equity-based compensation	(1,139)	(590)	(4,989)	(1,942)
Acquisition and other nonrecurring costs	(802)	(2,755)	(3,214)	(4,642)
Depreciation, amortization and accretion	(28,173)	(25,995)	(84,868)	(79,776)
Loss on disposal and abandonment of assets	(1,035)	(319)	(1,017)	(601)
Interest expense	(11,087)	(11,156)	(33,665)	(48,677)
Change in fair value of warrant liability	923	(42)	6,058	3,473
Debt modification and extinguishment costs	(4,192)	-	(4,192)	(6,689)
Other, net	(4,878)	509	(4,339)	841
Unallocated Corporate & Eliminations	(3,213)	(2,307)	(9,009)	(8,064)
Loss before income taxes	<u>\$ (12,975)</u>	<u>\$ (3,027)</u>	<u>\$ (22,557)</u>	<u>\$ (20,543)</u>

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Section 4: EX-99.3 (EXHIBIT 99.3)

FORM 52-109F2
CERTIFICATION OF INTERIM FILINGS
FULL CERTIFICATE

I, Bradley J. Horwitz, Chief Executive Officer of Trilogy International Partners Inc., certify the following:

1. **Review:** I have reviewed the interim financial report and interim MD&A (together, the “interim filings”) of Trilogy International Partners Inc. (the “issuer”) for the interim period ended September 30, 2018.

2. **No misrepresentations:** Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.

3. **Fair presentation:** Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.

4. **Responsibility:** The issuer’s other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers’ Annual and Interim Filings*, for the issuer.

5. **Design:** Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer’s other certifying officer(s) and I have, as at the end of the period covered by the interim filings

(a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that

(i) material information relating to the issuer is made known to us by others, particularly during the period in which the interim filings are being prepared; and

(ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

(b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

5.1 **Control framework:** The control framework the issuer's other certifying officer(s) and I used to design the issuer's ICFR is the Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

5.2 **ICFR – material weakness relating to design:** The issuer has disclosed in its interim MD&A for each material weakness relating to design existing at the end of the interim period

(a) a description of the material weakness;

(b) the impact of the material weakness on the issuer's financial reporting and its ICFR; and

(c) the issuer's current plans, if any, or any actions already undertaken, for remediating the material weakness.

5.3 *Limitation on scope of design*: N/A

6. **Reporting changes in ICFR**: The issuer has disclosed in its interim MD&A any change in the issuer's ICFR that occurred during the period beginning on July 1, 2018 and ended on September 30, 2018 that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

Date: November 7, 2018

/s/ Bradley J. Horwitz

Bradley J. Horwitz
Chief Executive Officer

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Section 5: EX-99.4 (EXHIBIT 99.4)

FORM 52-109F2
CERTIFICATION OF INTERIM FILINGS
FULL CERTIFICATE

I, Erik Mickels, Senior Vice President and Chief Financial Officer of Trilogy International Partners Inc., certify the following:

1. **Review**: I have reviewed the interim financial report and interim MD&A (together, the "interim filings") of Trilogy International Partners Inc. (the "issuer") for the interim period ended September 30, 2018.

2. **No misrepresentations**: Based on my knowledge, having exercised reasonable diligence, the interim filings do not contain any untrue statement of a material fact or omit to state a material fact required to be stated or that is necessary to make a statement not misleading in light of the circumstances under which it was made, with respect to the period covered by the interim filings.

3. **Fair presentation**: Based on my knowledge, having exercised reasonable diligence, the interim financial report together with the other financial information included in the interim filings fairly present in all material respects the financial condition, financial performance and cash flows of the issuer, as of the date of and for the periods presented in the interim filings.

4. **Responsibility**: The issuer's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (DC&P) and internal control over financial reporting (ICFR), as those terms are defined in National Instrument 52-109 *Certification of Disclosure in Issuers' Annual and Interim Filings*, for the issuer.

5. **Design**: Subject to the limitations, if any, described in paragraphs 5.2 and 5.3, the issuer's other certifying officer(s) and I have, as at the end of the period covered by the interim filings

(a) designed DC&P, or caused it to be designed under our supervision, to provide reasonable assurance that

(i) material information relating to the issuer is made known to us by others, particularly during the period in which the interim filings are being prepared; and

(ii) information required to be disclosed by the issuer in its annual filings, interim filings or other reports filed or submitted by it under securities legislation is recorded, processed, summarized and reported within the time periods specified in securities legislation; and

(b) designed ICFR, or caused it to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with the issuer's GAAP.

5.1 **Control framework**: The control framework the issuer's other certifying officer(s) and I used to design the issuer's ICFR is the Internal Control - Integrated Framework (2013) issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO).

5.2 **ICFR – material weakness relating to design**: The issuer has disclosed in its interim MD&A for each material weakness relating to design existing at the end of the interim period

(a) a description of the material weakness;

(b) the impact of the material weakness on the issuer's financial reporting and its ICFR; and

(c) the issuer's current plans, if any, or any actions already undertaken, for remediating the material weakness.

5.3 *Limitation on scope of design:* N/A

6. **Reporting changes in ICFR:** The issuer has disclosed in its interim MD&A any change in the issuer's ICFR that occurred during the period beginning on July 1, 2018 and ended on September 30, 2018 that has materially affected, or is reasonably likely to materially affect, the issuer's ICFR.

Date: November 7, 2018

/s/ Erik Mickels

Erik Mickels
Senior Vice President and Chief Financial Officer

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